



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Mørselskap 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: 21.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 19.07.2022



Resultatregnskap

Beløp i: EUR	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Delivery Settlement		10 248 000	568 000
Change in value PPA		219 000	5 383 000
Other income		17 000	39 000
Sum inntekter		10 484 000	5 990 000
Kostnader			
Personell Cost	3	553 000	441 000
Depreciation	5	1 000	1 000
Other operating expenses	4	643 000	1 659 000
Sum kostnader		1 197 000	2 101 000
Driftsresultat		9 287 000	3 889 000
Net Finance	11	7 694 000	821 000
Sum finanskostnader		7 694 000	821 000
Netto finans		-7 694 000	-821 000
Ordinært resultat før skattekostnad		1 593 000	3 068 000
Skattekostnad på ordinært resultat	1	-20 000	656 000
Ordinært resultat etter skattekostnad		1 613 000	2 412 000
Årsresultat		1 613 000	2 412 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		1 613 000	2 412 000
Sum overføringer og disponeringer		1 613 000	2 412 000



Balanse

Beløp i: EUR	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	1	600 000	579 000
Sum immaterielle eiendeler		600 000	579 000
Varige driftsmidler			
Fixtures, equipment, tools. office machines etc.	5	2 000	3 000
Sum varige driftsmidler		2 000	3 000
Finansielle anleggsmidler			
Investering i datterselskap	2	157 440 000	157 440 000
Sum finansielle anleggsmidler		157 440 000	157 440 000
Sum anleggsmidler		158 042 000	158 022 000
Omløpsmidler			
Varer			
Fordringer			
Other receiveables		817 000	579 000
Group cash pool		158 192 000	37 581 000
Konsernfordringer			3 015 000
Sum fordringer		159 009 000	41 175 000
Bankinnskudd, kontanter og lignende			
Bank Deposits	10	22 309 000	14 365 000
Sum bankinnskudd, kontanter og lignende		22 309 000	14 365 000
Sum omløpsmidler		181 318 000	55 540 000
SUM EIENDELER		339 360 000	213 562 000

BALANSE - EGENKAPITAL OG GJELD



Balanse

Beløp i: EUR	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Share capital	6	302 000	302 000
Overkurs	7	65 180 000	40 180 000
Annen innskutt egenkapital	7	121 956 000	121 956 000
Sum innskutt egenkapital		187 438 000	162 438 000
Opptjent egenkapital			
Annen egenkapital	7	-350 000	-1 963 000
Sum opptjent egenkapital		-350 000	-1 963 000
Sum egenkapital		187 088 000	160 475 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Other Long Term interest bearing debt	8	139 158 000	35 965 000
Power Purchase Agreement	9		219 000
Other Long Term Debt	9	692 000	778 000
Sum annen langsiktig gjeld		139 850 000	36 962 000
Sum langsiktig gjeld		139 850 000	36 962 000
Kortsiktig gjeld			
Leverandørgjeld		37 000	11 000
Public duties payable		35 000	103 000
Kortsiktig konserngjeld			635 000
Short Term interest bearing debt	8	3 525 000	3 706 000
Group Cash Pool		7 794 000	11 018 000
Other short debt	9	1 029 000	653 000
Sum kortsiktig gjeld		12 420 000	16 126 000
Sum gjeld		152 270 000	53 088 000
SUM EGENKAPITAL OG GJELD		339 358 000	213 563 000



2020 Financial Statement & Annual Report MVH AS.pdf

Signers:

Name

Vogt, Christian
Axelsson, Lars Magnus
Welde, Håkon
Moe, Kari Skeidsvoll

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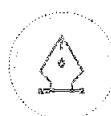
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Midgard Vind Holding AS

Financial statement 2020



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The Board of Directors' Annual Report 2020 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 Origins.

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 parks and projects are located in the region of Trøndelag, Norway. Midgard's head office is located in the city of Trondheim.

The year 2020 has had excellent wind conditions. The wind parks in production delivered during 2020 the amount of 458 GWh (335 in 2019) of renewable energy. This equals to the consumption of approximately 30 000 Norwegian households¹.

Comments related to the Financial Statements

The Company's revenues increased from mEUR 6,0 in 2019 to mEUR 10,5 in 2020. The increase was mainly caused by large payouts on the Company's power purchase agreement.

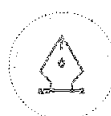
Net income in 2020 has been mEUR 1,6 against 2019's mEUR 2,4. The reduced net income is mainly due to increased financial expenses (increase of bank loans – following the development of the construction projects).

The Company's interest-bearing debt as of 31.12.2020 was mEUR 142,7 compared to mEUR 39,7 as of 31.12.2019. This increase is attributable to the ongoing construction of four wind parks that is partly financed through a construction loan.

The Company's liquidity reserve as of 31.12.2020 is mEUR 22,3, an increase from mEUR 14,4 in 2019.

Total assets at year-end amounted to mEUR 339, compared to mEUR 213 last year. The equity ratio was 55 % as of 31.12.2020, compared to 75 % the year before.

¹ SSB, Statistisk Sentralbyrå, 2018, «Tilgang og anvendelse av elektrisitet i perioden 1993-2017»



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Financial Risk and Future Challenges

Overall view on objectives and strategy

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

The market expectations for power prices over the next years are uncertain, however the Group has hedged a significant portion of its expected produced volume.

The focus for 2021-2022 is finalizing the construction of its four wind parks at Hundhammerfjellet, Frøya, Stokkfjellet and Sørmarkfjellet within the construction budget. In addition to this there will be high focus on the ongoing operation of the existing wind parks and the transition from construction to operations of the wind parks under construction.

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 210 mEUR construction loan in addition to a 200 mNOK VAT credit facility to finance the ongoing construction of four wind parks. This in addition to good cashflow from operating wind parks 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 2021-2050 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.

Allocation of Net Income

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

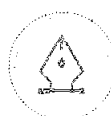
Other equity 1.613 tEUR

Net income allocated 1.613 tEUR

The proposal reflects the owners' desire to strengthen the equity position of the company.

The Working Environment, Personnel and Discrimination

Midgard Vind Holding AS has three employees, one of whom is female. Further, the Board of Directors for Midgard Vind Holding and its subsidiaries have four members, one of whom is female. The proportion of women among the employees and on the Board thus amounts to 33% and 25% respectively. The Company acknowledges that women are under-represented in the industry and are committed to provide equal opportunities for men and women.



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The Company has a high focus on having a good and safe working environment for their employees. There were in 2020 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 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 that is 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.

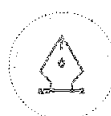
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Christian Vogt
CEO & Chairman

Kari Skeidsvoll Moe
Board member

Håkon Welde
Board member

Lars Magnus Axelsson
Board member

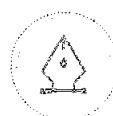


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Profit & loss		in EUR 1000	
	Note	2020	2019
Delivery settlement		10 248	568
Change in value PPA		219	5 383
Other income		17	39
Revenue		10 484	5 990
Depreciation	5	-1	-1
Personnel cost	3	-553	-441
Change in value PPA		0	0
Other operating expenses	4	-642	-1 659
Total operating expenses		-1 197	-2 101
OPERATING PROFIT/ (LOSS)		9 287	3 889
Net finance	11	-7 695	-821
PROFIT/ (LOSS) BEFORE INCOME TAX		1 593	3 068
Income tax expense	1	21	-655
NET PROFIT/ (LOSS)		1 613	2 412
Attributable to:			
Other equity		1 613	2 412
Total		1 613	2 412



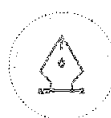
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Balance			
<i>in EUR 1000</i>			
Assets	Note	2020	2019
Intangible assets			
Deferred tax asset	1	600	579
Total intangible assets		600	579
Tangible assets			
Fixtures, equipment, tools, office machines etc.	5	2	3
Total tangible assets		2	3
Financial assets			
Investments in subsidiaries	2	157 440	157 440
Total financial assets		157 440	157 440
Total non-current assets		158 042	158 022
Current assets			
Other receivables		817	579
Group contribution		0	3 015
Group cashpool		158 192	37 581
Bank deposits	10	22 309	14 365
Total current assets		181 318	55 541
Total assets		339 360	213 563

<i>in EUR 1000</i>			
Equity and liabilities		2020	2019
Equity			
Share capital	6	302	302
Share premium reserve	7	65 180	40 180
Other paid-in capital	7	121 956	121 956
Total paid-in equity		187 438	162 438
Other equity	7	-350	-1 963
Total equity		187 088	160 475
Non-current liabilities			
Other long term interest bearing debt	8	139 158	35 965
Power purchase agreement	9	0	219
Other long term debt	9	691	778
Total non-current liabilities		139 850	36 962
Current liabilities			
Short term interest bearing debt	8	3 525	3 706
Group cashpool		7 794	11 018
Accounts payable		37	11
Public duties payable		35	103
Liabilities group company		0	635
Other short debt	9	1 030	653
Total current liabilities		12 422	16 126
Total equity and liabilities		339 360	213 563



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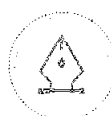
Trondheim 04.03.2021

Christian Vogt
Chairman / general manager

Lars Magnus Axelsson
Board member

Håkon Welde
Board member

Kari Skeidsvoll Moe
Board member



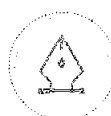
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Cash flow statement

	<i>in EUR 1000</i>	
	2020	2019
Cash flow from operating activities		
Profit/ (loss) before income taxes	1 593	3 068
Depreciations	1	1
Change in value power purchase agreement (PPA)	219	-5 383
Interest expense/ Interest income (-)	3 413	849
Changes in accounts receivables	-227	-112
Changes in accounts payable	-14	-25
Changes in other accruals	2 412	-1 068
Net cash flow from operating activities	7 397	-2 671
Cash flow from investing activities		
Cash outflows for investments in property, plant and equipment	0	-3
Net cash flow from investing activities	0	-3
Cash flow from financing activities		
Cash inflows from issuance of loans	106 500	44 364
Cash outflows for redemption of loans	-3 706	-4 912
Cash inflows from additions to shareholders' equity	25 000	5 000
Interest expense/ Interest income (-)	-3 413	-849
Net cash flow from financing activities	124 381	43 603
Net change in cash and cash equivalents	131 778	40 929
Net change group cashpool	-123 834	-26 564
Cash and cash equivalents at 01.01	14 365	0
Cash and cash equivalents at 31.12	22 309	14 365



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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

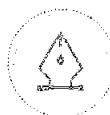
Investments in subsidiaries are reported in the annual accounts at cost. The shares in subsidiaries are written down to fair value, if the impairment is not temporary.

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.



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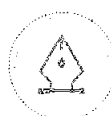
Notes

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- 2 Investments in subsidiaries
- 3 Personell cost
- 4 Defined contribution plan
- 5 Fixed assets
- 6 Share capital and shareholder information
- 7 Equity
- 8 Pledge
- 9 Financial instruments
- 10 Cash and restricted funds
- 11 Interest and financial expenses

1 Tax

	<i>In EUR 1 000</i>	
This years income tax expense consists of	2020	2019
Tax payable		
Correction of tax payable from prior period		
Changes in deferred tax	-21	655
Effect of changes in tax rate		
Total tax expense	-21	655

	<i>In EUR 1 000</i>	
Specification of temporary differences related to deferred tax	2020	2019
Assets		
Financial instruments	1 863	1 588
Profit and loss account	862	1 043
Total	2 725	2 631
Deferred tax liability (asset)	600	579



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2 Investments in subsidiaries

In EUR 1 000

Company	Acquisition date	Share ownership	Voting rights	Acquisition cost	Book value 31.12.2020	Net P&L 2020	Book equity 31.12.2020
Ytre Vikna 1 AS	20.12.2018	100 %	100 %	26 226	26 226	-845	17 354
Midgard Vind AS	20.12.2018	100 %	100 %	47 591	47 591	-1 845	29 935
Stokkfjellet AS	20.12.2018	100 %	100 %	12 269	12 269	-338	9 380
Sørmarksfjellet AS	20.12.2018	100 %	100 %	23 893	23 893	-408	12 518
Frøya Vind AS	20.12.2018	100 %	100 %	23 814	23 814	-729	6 424
Hundhammerfjellet A	20.12.2018	100 %	100 %	23 647	23 647	-415	6 855
Total				157 440	157 440	-4 579	82 466

All subsidiaries are located in Trondheim

3 Personell cost

In EUR 1 000

Personell cost	2020	2019
Salaries	448	361
Payroll tax	71	47
Pension costs	25	16
Other personell costs	9	17
Total	553	441

The company has employed 3 man-labour years in 2020.

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 2020, 3 members were covered by the plans.

Costs related to the contribution plan are expensed as incurred.

General managers compensation

	2020
Wages	245
Provision for bonuspayment	72
Other compensation	15
Sum	331

The general manager is part of the company's ordinary pension scheme.

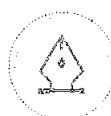
The general manager has a bonus arrangement for up to 30% of his yearly salary.

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 2020 the company expensed EUR 14 033 for statutory audit and EUR 3 389 regarding other services provided by the auditor (VAT is not included in these amounts).



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5 Fixed assets *In EUR 1 000*

Equipment	
Acquisition cost as at 01.01.2020	4
Additions	
Disposals	
Acquisition cost as at 31.12.2020	4
Accumulated depreciation 31.12.2020	2
Accumulated write-downs 31.12.2020	
Net value 31.12.2020	2
Depreciation for the year	1
Useful economic life	3 years
Amortisation plan	linear

6 Share capital and shareholder information

		in NOK	
	Number of shares	Face value	Book value
Share capital in Midgard Vind Holding AS 31.12.2020			
Shares	300 000	10,03	3 009 000

	Ownership	
	interest	Voting rights
Shareholders at 31.12.2020		
SWM Erneuerbare Energien Norwegen GmbH	70 %	70 %
TrønderEnergi Kraft AS	30 %	30 %
Total	100 %	100 %

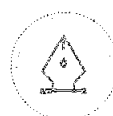
7 Equity

	<i>In EUR 1 000</i>				
	Issued capital	Share premium	Other pain-in capital	Other equity	Total
Equity 01.01.2020	302	40 180	121 956	-1 963	160 475
New equity	0	25 000			25 000
Net profit				1 613	1 613
Equity 31.12.2020	302	65 180	121 956	-350	187 088

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 company has an unused limit of 85 mEUR on its construction loan. The book value of pledged assets is 339mEUR.

Final maturity date is 31.12.2039. As of 31.12.2020, 98,2 mEUR has a maturity > 5 years



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9 Financial instruments

	<i>In EUR 1 000</i>			
	Off balance	Asset	Non-current	Current
	Asset		Liability	Liability
Instruments pr 31.12.2020				
FX forwards	0	0	0	884
Financial PPA	18 249	0	0	0
Interest rate swap	0	0	691	0

Hedge accounting

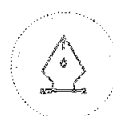
The construction loan is swapped from floating to fixed interest. The interest rate swap is regarded as cash flow hedging and value change on the interest rate swap is not recognized in the balance sheet. Unrecognized value of the interest rate swap is -34,3 mEUR as of 31.12.2020. The valuation is done by an external bank. Final maturity of the Interest rate swap and loan is 31.12.2039

10 Cash and restricted funds

Of the bank deposit of 22.309 tEUR, 20 tEUR is restricted funds on employee tax account
Midgard Vind Holding is the owner of the group cash pool.

11 Interest and financial expenses

	<i>In EUR 1 000</i>	
Income	2020	2019
Interest income	22	64
Interest income group	1 581	325
Currency gain	82	187
Group contribution	0	3 015
Total financial income	1 686	3 591
Expenses		
Interest expenses	-3 413	-850
Interest expenses group	0	-10
Currency loss	-4 434	-1 334
Other financial expenses	-1 533	-2 219
Total financial expenses	-9 380	-4 413
Net finance	-7 695	-821



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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Midgard Vind Holding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Midgard Vind Holding AS, which comprise the balance sheet as at 31 December 2020, the income statement and statements 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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 Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 on the other information obtained prior to the date of the auditor's report, 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 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 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.



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2

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 law, regulations and generally accepted auditing principles in Norway, including 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 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Independent auditor's report - Midgard Vind Holding AS

A member firm of Ernst & Young Global Limited

Pemneo Dokumentnøkkel: EZ01O-UKC2V-INE2S-EQTEA-MOKSY-A7BXO



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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Trondheim, 15 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Amund P. Amundsen
State Authorised Public Accountant (Norway)

Pemneo Dokumentnøkkel: EZ01O-UKC2V-INEZS-EQTEA-MOKSY-A7BXO

Independent auditor's report - Midgard Vind Holding AS

A member firm of Ernst & Young Global Limited



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Amund Petter Amundsen

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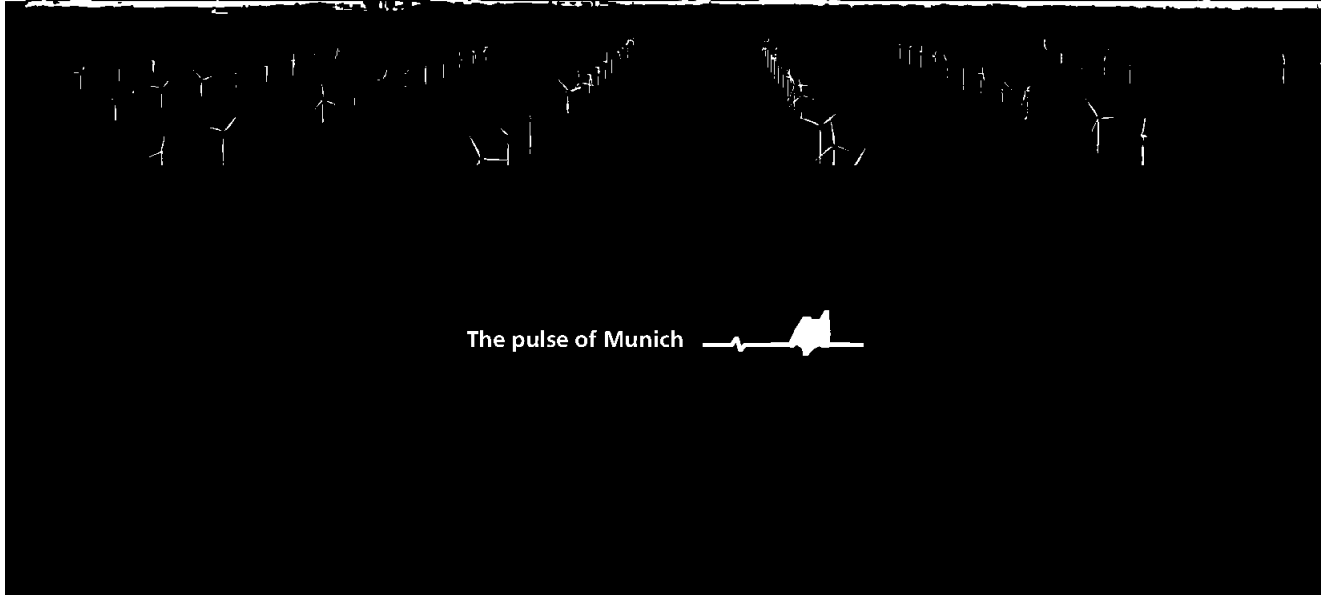
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SW//M

Stadtwerke München

Annual Report 2020



The pulse of Munich 



SWM Group in figures

in EUR million		2016	2017	2018	2019	2020
Key operating figures						
Revenues	¹⁾	6,320.6	7,223.9	8,334.7	10,711.2	7,483.4
Electricity		1,863.3	2,021.6	2,483.0	2,811.7	2,859.1
Gas	^{1a)}	2,815.5	3,506.1	4,223.5	6,225.1	3,021.6
District Heating		346.2	351.3	367.3	396.5	351.2
Water		156.7	168.6	169.6	169.5	172.4
Public Transport		510.6	530.1	547.2	563.2	438.8
Public Pools		18.8	18.8	19.8	20.1	9.3
Telecommunications		232.8	242.5	254.5	259.4	271.4
Other		376.6	384.8	269.8	265.8	359.6
Consolidated net income for the year		-164.3	875.3	224.8	116.1	-152.0
EBIT		517.6	614.6	522.7	458.6	414.4
EBITDA		935.9	1,134.5	952.4	928.0	905.2
Structure of assets and capital						
Fixed assets		7,952.4	8,515.6	8,735.8	8,801.7	8,599.7
Current assets	²⁾	2,715.2	2,193.0	2,507.0	2,379.2	2,163.4
Shareholders' equity	³⁾	4,742.6	5,521.5	5,682.6	5,865.1	5,714.2
Debt and liabilities	³⁾	5,925.0	5,187.1	5,560.2	5,315.8	5,048.8
Non-operating financial assets	⁴⁾	2,514.5	2,135.8	2,277.1	1,893.6	1,813.9
Bank borrowings		2,448.9	1,959.4	2,138.9	2,112.8	2,041.8
Total assets		10,667.6	10,708.6	11,242.8	11,180.9	10,763.0
Cash flow/capital expenditure/ depreciation and amortisation						
Cash flow from operating activities		490.4	845.3	742.7	360.3	949.9
Quick ratio	⁵⁾	283 %	313 %	242 %	221 %	196 %
Capital expenditure on property, plant, and equipment (PPE)		746.5	653.4	539.3	751.4	1,086.8
Equity investments	⁶⁾	194.0	1,248.0	191.5	86.1	71.6
Employees						
Employees	⁷⁾	9,022	9,067	9,040	9,444	10,004
Key ratios						
ROS	⁸⁾	0.2 %	17.4 %	4.8 %	2.9 %	-0.6 %
Equity ratio	³⁾	44 %	52 %	51 %	52 %	53 %
Reinvestment rate (tangible and intangible fixed assets)	⁹⁾	123 %	117 %	129 %	150 %	228 %

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



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Dear SWM customers, employees, and business partners,

Rarely has the assessment of a financial year been as complex as in the Covid-19-dominated year 2020. If we look only at the financial results, we see a picture with which we cannot be satisfied. Economically, Covid-19 hit us hard. Passenger numbers in local public transport decreased significantly, but service operation was largely maintained at policy makers' request. The public pools were either closed or opened subject to stringent restrictions for most of the year. Energy prices fell sharply and many of our customers were faced with tense economic situations. The fact that the Group's adjusted EBIT declined by only about 9.6% to EUR 414 million was due to our cost discipline in all business segments and the rescue package for local public transport companies. The non-operating part of our income saw a more pronounced slump. Non-cash impairments at Spirit Energy accounted for a major share with a negative amount in the triple-digit million euro range, which reflected the general downtrend in oil and gas prices in the year under review. On balance, the group incurred a net loss after taxes, but before profit and loss transfer, of more than EUR 150 million after generating a profit of EUR 116 million in the previous year. We transferred approximately EUR 5 million to the city of Munich.

But do these figures truly represent what Stadtwerke München has achieved? They are certainly not the only yardstick in the 2020 pandemic year.

In a year in which the Covid-19 pandemic changed our lives quickly, dramatically, and for a longer period, we proved that we could fulfil our responsibilities also, and in particular, under the most difficult conditions: we kept the city running. The citizens in Munich and the metropolitan region could rely on safe and secure energy and water supply at all times. MVG's integrated service offerings allowed them to remain mobile in an environmentally benign manner. And M-net's powerful communications solutions based on state-of-the-art fibre-optic technology made what sometimes turned out to be a sudden switch to remote working easier for many. Stress test passed – for us, this is the critical conclusion to be drawn from the 2020 financial year.

We would like to seize this opportunity to give great thanks and respect to our approximately 10,000 employees: your commitment and your flexibility have been and continue to be extraordinary. You can all be proud of the contributions you make to a functioning urban community every day.

We are aware of the fact that such a functioning urban community is not cast in stone. People's needs change over time, as does the complex regulatory framework governing the activities of Stadtwerke München. And technological progress creates new opportunities, but also gives rise to new risks. A global state of emergency such as the Covid-19 pandemic naturally leads to a focus on day-to-day business or even a crisis management mode at times. What about important projects setting the course for the future? It goes without saying that we, too, have been affected by the economic fallout of the current crisis. We, too, scrutinised the immediate necessity of envisaged investments and put some projects on the backburner. Nevertheless, we have consistently stayed on course in those projects that are of major significance for the future of Munich.



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

First and foremost, our renewable energies expansion campaign must again be mentioned here: from 2025 onwards, we want to generate sufficient green electricity in our own plants to cover all of Munich's requirements. This will remain our enduring goal. Given the prospect of increasing electricity demand in Munich, e. g. due to electromobility, we will continue our expansion campaign beyond 2025. With the same verve, we are driving forward our plans to achieve CO₂ neutrality in the coverage of Munich's district heating demand over a medium-term horizon. In the current financial year, we will go live with what will be Germany's largest geothermal plant to date at our "Süd" energy location. Munich's bus system is likewise to be converted to mostly CO₂-neutral operation within the next ten years. Our fleet of purely electrically powered vehicles is growing continuously, and by the end of the financial year under review, we were already able to offer completely electric service on two bus lines in the city of Munich. In addition, our major infrastructure projects in local public transport and the expansion of the fibre-optic network have been making pleasing progress.

As you can see, there are many good reasons for being optimistic about Munich's future. Even though the Covid-19 pandemic and its repercussions will unfortunately continue to affect us for some time, we are, after the experiences we made in 2020, more convinced than ever that we will be able to tackle our multi-faceted challenges within the framework of future-proof urban development. With bold ideas, a clear plan, and strong partnerships.

We thank you cordially for the good relationship we have with you and wish you success for your business and, above all, that you stay healthy!

Sincerely yours

Dr Florian Bieberbach

Chief Executive Officer

Werner Albrecht

Director, Personnel
and Social Affairs

Ingo Wortmann

Director, Mobility

Helge-Uve Braun

Director, Technology



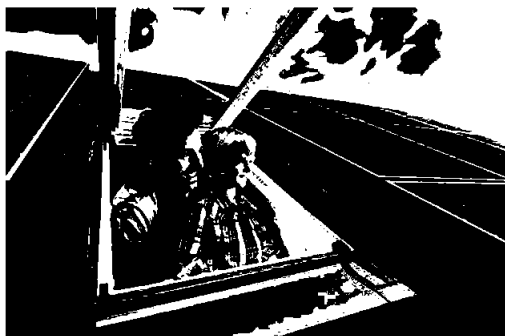
Responsibility in the right hands

During a time in which things that seemed unshakable can no longer be taken for granted, Stadtwerke München is proving that it fulfils its promise to the people in Munich also, and especially, under adverse conditions:

we are keeping the city running.



Energy and drinking water, mobility, and fast Internet access—as operator of important, even critical infrastructures, SWM has assumed responsibility for Munich and its metropolitan region for more than a hundred years. During the Covid-19 pandemic, it has been evident that we attach top priority to customer value and are a reliable partner for citizens and customers. For example, we



kept electricity prices stable for our residential customers despite higher costs, almost fully continued the regular operation of local public transport services despite plunges in passenger numbers that at times reached as much as 80 % and set up the organisational prerequisites for reliable electricity and water supply at all times, accompanied by partnership-based and sensitive communications. Our customers and dialogue partners were grateful for this—market research indicated particularly high trust levels for us.

Even though we are facing unique challenges in the here and now, we are not losing sight of what will—and shall—come. We therefore continued to drive forward important projects for the future in 2020, too, and thus again came one step closer to the vision that motivates and unites us: Munich as a globally shining example of a networked city with a high quality of life. We assume responsibility for this. Every single day. With total conviction. Gladly.

Our supply— reliable, needs-based, sustainable

Raising the bar for the renewable energies expansion campaign

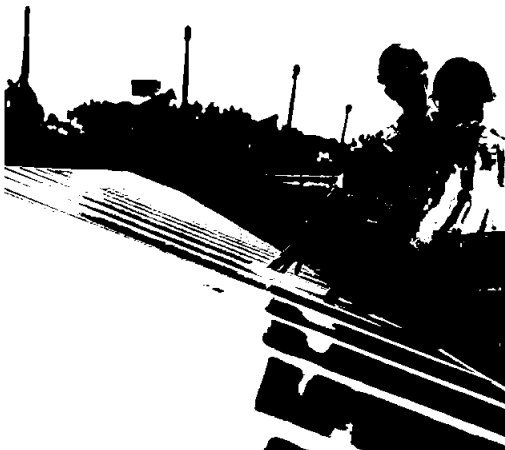
When we launched our renewable energies expansion campaign in 2008, we combined it with an ambitious goal: from 2025 onwards, we want to generate sufficient green electricity in our own plants to cover all of Munich's consumption.

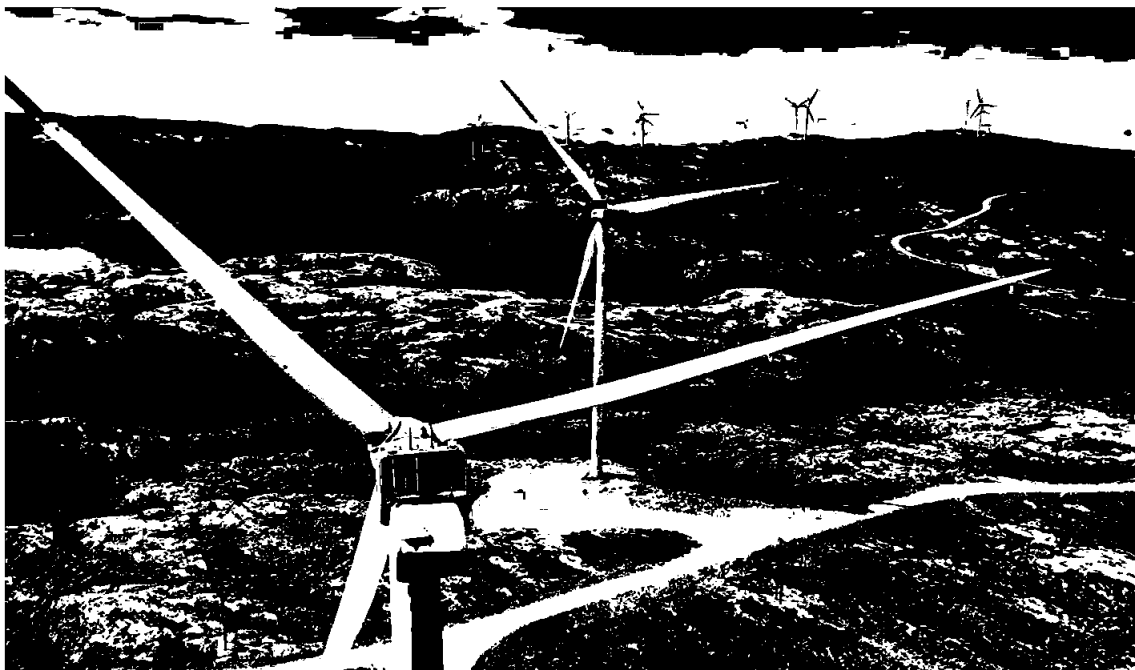
Wind energy—currently the most productive and most profitable green electricity technology—will contribute the lion's share to this volume. In the development of our generation portfolio, our focus is on onshore wind parks in Germany and Europe. We recorded pleasing progress here. The Jasna wind park in Poland (SWM stake: 100%) with a capacity of 132 megawatts was successfully completed. In the Norwegian onshore portfolio held by Midgard Vind Holding AS (SWM stake: 70%), we

were able to ramp up the operation of two wind parks with a total capacity of approximately 110 megawatts in 2020 and early 2021, respectively. Two further wind parks with a total capacity of approximately 220 megawatts are scheduled to follow in late 2021. The Austri Kjølberget wind park in Norway (SWM stake: 60%) with a capacity of approximately 55 megawatts is likewise slated for near-term commissioning in 2021. At the end of the year under review, the capacity of the wind parks held by our wpd europe GmbH subsidiary (SWM stake: 33%) in its own portfolio stood at 580 megawatts.

Solar power, hydroelectric power, and biomass account for smaller shares of our green electricity mix, but their combined contribution is remarkable. For these energy sources, we mainly rely on regional projects. Our M-Solar Sonnenbausteine business model has very quickly become a real success story: climate-aware Munich citizens who do not have their own roof where they can install a solar plant can support the realisation of local photovoltaic projects by making EUR 500 to EUR 5,000 investments in a qualified subordinate loan called "Sonnenbausteine" (solar building blocks), which yields annual interest payments. Whereas full placement of the first tranche in March 2020 took 56 hours, the second "Sonnenbausteine" tranche issued in September was sold out after a mere 38 minutes. Investors were not the only ones to take a favourable view of our model, however: M-Solar Sonnenbausteine received the Smarter E-Award—the industry's international innovation award—in the "Smart Renewable Energy" category.

With M-Ökostrom Regional, we launched a further new product for climate-aware citizens. All of the green electricity supplied in this product is generated by SWM's own renewable energy plants in the Munich region.





SWM is showing its commitment to the energy transition also in its cooperation with its partner TrønderEnergi in Norway.

The Guarantee of Regional Origin (GRO) verifies that the green electricity has been generated within a range of no more than 50 kilometres around Munich. In addition, we invest 1 cent per kilowatt-hour in the construction of new regional photovoltaic and hydroelectric plants. With M-Ökostrom Regional, SWM is once again a trailblazer among the large energy utilities.

In 2020, we already generated as much as approximately 4.5 billion kilowatt-hours of green electricity. When we originally launched our renewable energies expansion campaign in 2008, we assumed that we would have to generate approximately 7 billion kilowatt-hours of green electricity per annum by 2025 to cover Munich's electricity demand. Some work still needs to be done, but we will, in all likelihood, reach this target. However, there is no reason to rest on our laurels. After all, Munich's demand for electricity continues to grow, with a rising number of inhabitants and increasing electromobility being particularly strong drivers. We expect Munich's energy demand to climb to roughly 8.4 billion kilowatt-hours by 2035. In December 2020, the Munich city council therefore gave the green light to our plans to expand our capacities for electricity generation from renewable energies to this volume. This means that we will continue our expansion campaign beyond 2025, as our goal has not changed: to generate sufficient green electricity in our own plants to cover all of Munich's requirements.

COMPLETING THE "WIND ENERGY GATE"

In 2020, we built the second highly visible sign of our commitment to green electricity in Munich's north alongside our first wind energy turbine on Fröttmaininger Berg. On the hill that was created by the former North-West landfill, a new wind energy turbine went into service in early 2021. With a height of 80 metres, its tower is some 13 metres higher than its "little sister" on the other side of the motorway, and its rotor blades are even twice as long. In regular operation, the turbine produces green electricity for more than 2,800 households.



Good climate from the depth of the earth

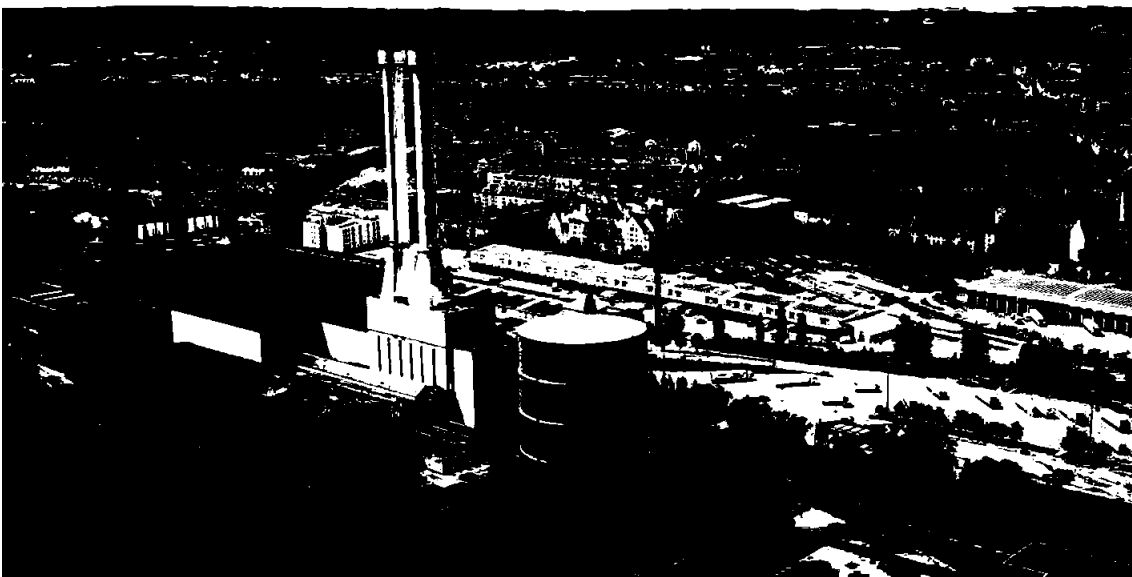
More than 40 % of Germany's energy consumption is used for heating. In private households, heating and hot water production even account for an average of as much as approximately 90 % of the energy consumed. These figures show that green heating is also an indispensable part of a holistic energy transition. Munich benefits from geological conditions that are very favourable for the heating transition, as vast hot-water reserves are located several thousand metres underneath the city's surface—a virtually inexhaustible emission-free energy source. Deep geothermal energy is the technological key to tapping this source. We aim to use it intelligently as an enabler of CO₂-neutral coverage of Munich's district heating requirements over a medium-term horizon. A major leap forward in this direction will be the commissioning of Germany's largest geothermal plant to date at the Munich "Süd" energy location in time for the 2021/22 heating season. In the future, this plant will supply more than 80,000 Munich citizens with green heating. Since March 2021, green heating has also been produced at our Kirchstockach geothermal site, which previously was used solely for the generation of green electricity. We have also integrated the waste heat of a nearby organic waste digestion plant into this process.

The increasing use of deep geothermal energy also has an impact on the city's district heating grid that is approximately 900 kilometres long—specifically on the part that is still operated with steam. The reason: geothermal energy supplies water at temperatures of up to 120°C,

and water that hot cannot be fed into the existing steam-operated grid. Some 90 kilometres of piping and hydraulic plants will gradually have to be converted to hot-water operation. We intend to start this conversion in 2022 and will presumably complete it by 2033.

The functional principle underlying district heating has also been used very successfully for a further natural energy product: M-Fernkälte district cooling. Insulated closed cooling grids transport centrally cooled water to our customers' properties where it absorbs the heat from the buildings' air conditioning systems. This makes district cooling an environmentally benign and energy-efficient alternative to conventional air conditioning systems. In order to be able to cover the rising demand, we have continuously been expanding our downtown district cooling grid for years. In April 2020, we started to work on the integration of a further generation site: from the summer of 2022 onwards, cooling generated with a contribution from geothermal energy will be transported from the "Süd" energy location in Sendling to the Munich downtown area via the Isarvorstadt and Ludwigsvorstadt neighbourhoods. And we also have a solution for sites outside the downtown district cooling grid. In the Ramersdorf neighbourhood, we are installing our first stand-alone solutions as full-service offer for new office buildings currently under construction. Here, we will be using the energy of near-surface ground water. From mid-2021 onwards, the ground water collected will then be used as an energy source for both heating and cooling.

The future look of the "Süd" energy location: SWM will not only generate electricity and heat, but also environmentally benign district cooling at this site.



Natural gas as a key raw material and decarbonised gases

It is clear to SWM that natural gas is, on the one hand, the fossil energy source producing the lowest emissions, but shall, on the other, gradually be replaced by decarbonised gases on our way towards a climate-neutral Munich. What is equally clear, however, is the fact that the energy transition cannot be realised without gas. The reason: gas can be used to generate both electricity and heat across a wide variety of volume demands and without long lead times, and these are indispensable characteristics as long as fluctuating feed-in volumes from renewable energy sources cannot guarantee the supply of the necessary base load at all times. We will therefore continue to make targeted investments in gas-based generation capacities. In 2021, for instance, two new gas turbo sets, i.e. turbines with the associated generators, will commence operation at the "Süd" energy location. They will be used in electricity and heat generation and will feature both higher efficiency levels and improvements in exhaust emission values compared to their predecessors.

Alongside the gas itself, suitable grids are also an important element of the energy transition. Specifically, they will gain further significance for the transport of biogas and hydrogen. Together with the KommEnergie municipal utility, we established KommEnergie Gasnetz GmbH & Co. KG in the year under review. The newly founded company is to become the owner of the gas grids in the municipalities of Eichenau, Gröbenzell and the town of Puchheim. With a length of approximately 250 kilometres, these grids offer connections to some 7,000 buildings.

As long as we cannot yet fully dispense with natural gas as an energy source, it is our strategic goal to be a player with its own sources in the natural gas market and thus largely independent. We are achieving this goal with the UK energy utility Centrica as our partner. The Spirit Energy joint venture has a number of highly productive fields. In our role of shareholder, we are striving to ensure that decarbonised gases (such as hydrogen) are gradually added to the portfolio, replacing natural gas.



Decarbonised gases such as hydrogen shall replace natural gas over time.

SWM RECEIVED THE "ENERGIEWENDE AWARD"

Initiated by "The smarter E Europe", "EuPD Research", and "Deutsches CleanTech Institut (DCTI)", the Energiewende Award involves annual evaluations of approximately 1,800 energy utilities in Germany, Austria, and Switzerland with respect to their portfolios of products, services, and information revolving around the energy transition. Awards in the categories of Electricity, Heating, Mobility, Energy Efficiency, and Energy Transition are handed out to those energy utilities that are committed to the Energy Transition for the benefit of their customers. With an award in the Energy Transition category, the organisers showed their appreciation of our sustainable and multifarious commitment to climate-friendly energy generation.

Water and public pools: never losing sight of the common good

Clean water is not only an affordable and environmentally friendly refreshment, but a key element of daily hygiene—and thus particularly important for infection prevention in pandemic times. We give some 1.6 million people access to drinking water that ranks among the best in Europe. To preserve this high quality, we invest continuously in the maintenance and modernisation of the drinking water grid. Among other things, we refurbished a slightly under 1.2 kilometre long section of the third water mains in the Neuhausen neighbourhood in 2020. We used what is known as the “relining process”, which involved inserting a new pipe in the existing grey cast iron pipe from only three excavation pits along the section. Compared to the traditional pipe installation method, this approach is not only more cost-efficient, but also leads to a significantly lower burden on the environment.

Innovations for greater common good and more sustainability 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 restricted for Munich’s citizens in the year under review. With a new online reservation system, we were able to organise visits to outdoor pools in compliance with Covid-19 requirements. Visitors of indoor pools received digital and real-time information on current pool occupancy. However, the Covid-19 pandemic has not impacted our long-term goal of switching all M-Bäder public pools to completely CO₂-free operation by 2040.



New working environments facilitate flexible working.

Creating attractive living and working environments

When social distancing is the most important civic duty, scarcity of space becomes all the more noticeable. In the booming metropolitan region of Munich, this applies to virtually all types of space—for residential, commercial, or office purposes. SWM is creating space by developing real-estate properties from its portfolio that are not necessary for operations into other uses. On the site of our current 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. In properties that we primarily develop and build for our own operational purposes, we also create additional office and commercial space for the market wherever possible. One illustrative example is the multi-functional Hybrid.M compound in Moosach, which will house the new MVG bus depot from late 2021 onwards. The upper floors will be aligned with the SWM “Smart Work” design line, which creates modern, open, and networked working environments. In addition, we are easing the pressure on Munich’s strained rental market with our company-flat expansion campaign (see page 17).





Our networks— forward-looking, target-oriented, and intelligent

Munich's transformation into a smart city is fully underway, and SWM is a driving force in this process. Previously stand-alone networks, grids, and systems for electricity, heating, communication, and mobility are being merged into an integrated infrastructure under our direction. And with our M-Login, we are making the Smart City more easily accessible. Many digital services in Munich can be used via a single login. By the end of 2020, as many as 750,000 people in Munich already availed themselves of this offer. 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.



Data networks on a growth path

In 2020, the Covid-19 pandemic showed us more clearly than ever how important powerful data networks are for keeping businesses and private life running. When the first lockdown started in March, Internet and telephony data transmission in the networks of our M-net telecommunications subsidiary abruptly skyrocketed by some 50 % and remained unchanged at high levels even after the summer months. Since March 2020, the number of subscriptions to private connections with a speed of 300 Mbit/s or more has increased tenfold compared to the same prior-year period, while the number of companies speeding up their connections to at least 1 gigabit per second has tripled.

These figures have validated the decision we already took a decade ago, namely to vigorously push forward the roll-out of one of Europe's fastest and most modern fibre-optic networks. At the end of 2020, more than 580,000 private households and businesses had access to the network of the future, and this number is to increase to more than 630,000 by the end of 2021. In this process, high network stability is ensured by "Bayernring"—a powerful fibre-optic based quantum network infrastructure that is unique in Europe and went live in the year under review. It increases the capacity of the M-net network by a factor of up to 50 and thus creates reserves, even if customer demand continues to grow.

Our energy-saving long-range radio network ("LoRaWAN"), which creates the prerequisites for the connection of sensorics in the "Internet of Things", is likewise set to grow. The plans provide for densification of the network by adding approximately 50 gateways in the Munich city area by the end of 2021. In addition, we will equip some of our approximately 5,000 power transformer stations with what are known as "LoRa nodes". In the future, these network nodes will enable the stations to transmit technical parameters to the SWM headquarters. If abnormalities in the data indicate that defects might be developing, we will be able to react and avoid station downtimes.



SWM IS PLANNING THE WORLD'S LONGEST SUPRACONDUCTOR CABLE

Supraconductor cables are setting the stage for the power supply of the future. What is special about this technology is the fact that it can transmit electrical power virtually without any losses. At the same time, supraconductors are compact and can be installed with comparatively little effort. This reduces the burden on the environment. Together with partners, SWM has embarked on the realisation of a supraconductor cable in Munich. Over a period of two years, all necessary components are to be developed and tested for six months in the SWM grid. Once the development project has successfully been completed, a 12-kilometre-long high-voltage transmission line will be installed between the main substation in Menzing and the "Süd" energy location in the form of a "high-temperature supraconductor" (HTS). This would make Munich the location of the world's longest supraconductor connection.



MVG: Setting the course for tomorrow

In the most recent “normal” year, more than 600 million passengers used the wide range of mobility offerings of our Münchner Verkehrsgesellschaft subsidiary. According to estimates, the number of people availing themselves of the environmentally friendly mobility services offered by underground, tram and bus lines, the MVG Rad public bike-rental system, and the MVG IsarTiger ride-sharing service in the Munich city area might even exceed the mark of 750 million by 2030. The drivers of this development: steady growth in the number of inhabitants and visitors in Munich and the metropolitan region as well as changes in mobility behaviours. The Covid-19-induced slump in passenger numbers in the year under review should not distract from the fact that Munich’s local public transport system is operating close to its capacity limits in many places. Even though we will see dramatic revenue shortfalls due to the impact of the Covid-19 pandemic, at least in the 2020 and 2021 financial years, we and the city of Munich will jointly continue to pursue the expansion of bus and rail services: numerous projects

aimed at extending and modernising Munich’s local public transport system are in the planning stage, with step-by-step implementation being envisaged. Funding continues to be one of the biggest challenges in these endeavours.

In 2020, the first eight of a total of 24 new underground trains started their regular service. The remaining 16 are scheduled to successively follow in the period until the beginning of 2022. Some of the new trains will replace older vehicles, while the rest will expand our fleet and, hence, allow us to improve our service offerings. In addition, we ordered a further 22 trains in the year under review, which will be delivered in the years 2022 to 2024. Munich’s tram system will be modernised, too: as many as 73 new Avenio trams will be delivered from late 2021 onwards and will expand tram service capacities, facilitating both increases in service frequency in the existing network and coverage of planned new routes.



A station for the future: the conversion and modernisation of the Sendlinger Tor underground hub are making progress.



We also continued the electrification of the MVG bus fleet—in line with our target to largely convert it to electric buses over the next ten years. By the end of 2021, at least 26 electrically driven vehicles are to be out and about on Munich's streets. The 100 and 144 bus lines have already been switched to fully electric operation. In addition, 47 new hybrid buses help reduce fuel consumption and emissions. Complementing the monitors we have installed for the dynamic passenger information system, the bus fleet will gradually be equipped with additional displays showing the current location and upcoming route in real time.

In the year under review, we reached a major milestone in the conversion of the Sendlinger Tor underground hub into a barrier-free and spaciouly designed station for the future with expanded capacities: we were able to open the first extension structure underneath Sendlinger Tor square in late April. On a total of three levels, it offers passengers approximately 1,000 square metres more space. An additional connection between the U1/U2 platforms and the mezzanine floor has thus been created. This is also the prerequisite for subsequent conversion and extension of the central area of the existing stop. The modernisation of the Sendlinger Tor underground hub is scheduled to be fully finalised by 2023.

2023 is also the year in which we plan to start construction of the western tangential tram route, for which we submitted a zoning application in April 2020. The start of the approval procedure is the next major milestone on our way towards the approximately 8.3-kilometre-long

new tram route, which will connect Romanplatz square with the Aidenbachstrasse underground stop. The western tangential tram route is a key component of the municipal local public transport expansion campaign and—if possible—it is to go into service in December 2026 when the new timetable comes into effect.



Electromobility in Munich: a future based on tradition

Munich has a special relationship to electromobility—and one that has evolved over many years. As far back as in 1895, the first tram route was converted to electric operation. 125 years later, Munich's trams and underground trains run completely emission-free thanks to M-Ökostrom green electricity, the electrification of the bus fleet is underway, and e-bikes and e-trikes are being tested in model quarters. It seems almost logical that Munich is also holding a top position in the development of the charging infrastructure for electrically powered cars. In the year marking the anniversary of electro-mobility, the public network grew by a further 60 regular charging points, and the number of fast-charging stations increased to 16. Overall, users of electric vehicles now have access to more than 1,200 charging points throughout the entire city area. All are powered with 100% CO₂-free M-Ökostrom green electricity. We also offer various purchase and rental options for charging solutions for single and multi-family homes as well as businesses.

Every new electric vehicle and every additional charging station also lead to an increase in charging demand that has to be handled by the electricity grid. Intelligent load management is key here. This is 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 higher the number of generation units and consumers linked to the virtual power plant, the more flexible—and thus more efficient—the overall system becomes. Against this backdrop, we also tested the integration of power-to-heat plants, i.e. storage heating devices or heat pumps, for the first time in 2020. In the "Intelligent Heating for Munich" project, we want to discover the potential that can be unleashed by interlinking electricity and heating or cooling—an approach known as "energy system integration". This process involves temporary storage of electricity as heat or cold.



SWM is setting up private and public charging solutions for electric vehicles. Alongside underground trains and trams, buses will also be electrically powered in the future.

Our responsibility— we take care of people and the environment

An employer on the pulse of time

Munich's demanding labour market makes it a challenge for every company to attract the attention of qualified applicants and position itself 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. Our value proposition includes challenging tasks, flexible working conditions as well as a value-based corporate culture. SWM's key values— sustainability, reliability, and social inclusion— offer employees a high potential to identify with the company.

In the Covid-19-dominated year 2020, the key task of SWM's human-resource policy was to protect our employees against infection in the best possible way, while ensuring reliable services for Munich at the same time. Internal coordination task forces with representatives from all business segments and SWM's

Occupational Health and Safety team developed the necessary hygiene concepts and precautionary measures. Among other things, employees of power stations and water extraction facilities were distributed in teams across various sites or deployed in separate shifts. We exhausted every possibility to make work times and places more flexible wherever we could. Discussions, workshops, and project meetings were shifted to the digital space, and almost all business trips were cancelled. This allowed us to fulfil the promise we have made to Munich's citizens in times of crisis, too: we keep the city running.

The high cost of living in Munich and its metropolitan region has been a burden for our low-income employees— and not just since 2020. At the same time, it has made it harder for us as a company to recruit new skilled





150 young people started their traineeship at SWM in 2020.



SWM continues to expand its portfolio of company flats.

employees, e.g. drivers for MVG. Since 1 January 2020, we have given our employees some additional financial leeway by paying a dedicated “Munich allowance”. This supplementary payment has been introduced for the low and medium pay grades at SWM and ranges between EUR 180 and EUR 270 a month, depending on the specific pay grade. These amounts are offset against collective-bargaining and performance bonuses.

In addition, our company-flat expansion campaign ensures a further easing of tensions and a genuine competitive advantage in the labour market. With this campaign, we make a contribution to the creation of affordable housing in Munich and are also reducing the burdens in the housing market. At present, approximately 360 new company flats are being built in four construction projects. By 2030, we intend to increase SWM’s housing portfolio to approximately 3,000 flats, located throughout the city.

In-house training programmes have always been a very successful approach in our efforts to retain skilled young talent for SWM. At any given time, we now groom approximately 400 young people for their professional future in 15 commercial and trade/technical vocational professions. A study conducted by the “Capital” business journal and the Ausbildung.de traineeship portal in 2020 highlighted the top quality of our training programmes:

in the survey, in which a total of 666 companies participated, SWM was awarded the highest possible rating of five stars. In addition, our “Stadtwerkeprojekt” makes it possible for young adults who find it difficult to get their careers off the ground to go through their training. Alongside professional knowledge, programme attendees are offered accompanying off-the-job support and assistance by qualified social education workers.

MAKING WOMEN’S ADVANCEMENT QUANTIFIABLE

Over the last two decades, the share of female managers has quadrupled at SWM, reaching a level of 20%. Our goal is to boost it further to at least 25% in the future. Among other things, our participation in the Women Career Index (Frauen-Karriere-Index—FKi) aims to contribute to this goal. Under the auspices of the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, companies promoting the advancement of women and a culture of change and innovation receive awards every year. The participating companies, inter alia, document their activities in the areas of new leadership, diversity, and digital transformation. In our first try, we already achieved an admirable seventh place in a group of 42 participating companies that range from DAX corporations to family-owned businesses.

Protecting vital natural resources and conserving the environment

Our environmental policy aims to protect soil, water and air as vital natural resources and conserve energy and water. Ecological factors are considered in all major investment decisions, from the conception and construction of our plants for energy generation and distribution or water extraction to public-pool operation and the future-proof development of Munich's transport infrastructure. In our day-to-day operations, we likewise practice environmental protection by aligning and continuously improving our processes and value chains with ecological and high-quality standards. These standards include an integrated quality, environmental, and occupational health-and-safety management system in accordance with ISO 9001, ISO 14001, and OHSAS 18001, as well as the European Union's eco audit regulation (EMAS III).

Our corporate strategy envisages an 80% reduction in the CO₂ emissions from our services by 2040 compared to the 2008 baseline year. Our strategic initiatives aimed at renewable energies expansion, conversion to climate-friendly modes of transport, and CO₂-neutral operation of public pools will make major contributions to achieving this ambitious goal (see page on the right).

A further important lever for achieving our climate-protection goal is the exit from coal-based electricity and heat generation. Our exit strategy focuses on the hard-coal-fired block unit in the "HKW Nord" power station, which—like all SWM cogeneration plants—is based on the combined heat-and-power (CHP) principle and is primarily used to generate heat. Operation of this block unit is to continue only as long as it is systemically important—presumably until 2028. We already reduced coal usage significantly in the year under review.

The second pillar of our environmental policy is the preservation of water as a vital natural resource. The Mangfall valley, the Loisach valley, and an area of moraine deposits east of Munich known as the "Schotterebene", which are the catchment areas for our drinking water, are operated in a manner that is in harmony with nature, is environmentally friendly and conserves water. The extraction plants themselves are all located in specifically zoned water protection areas. In the Mangfall valley, more than 175 farmers have already joined our "eco farmer" initiative, converting their farms to agricultural methods that protect soil and water and to species-appropriate animal husbandry. Their combined cultivation areas form one of the largest contiguous organically farmed regions in Germany.



The downstream basin of the Leitzachwerk. The upstream reservoir is Lake Seeham, a paradise for aquatic animals.

MAKE WAY FOR FISH!

For more than 100 years, the Leitzachwerk hydroelectric power plant has generated green electricity 40 kilometres outside Munich's city limits. To interfere as little as possible with the natural habitat of numerous fish species and microorganisms in the future, too, we are contributing a total of EUR 500,000 to environmental-protection measures aimed at upgrading the rivers feeding the Leitzachwerk plant. Among other things, concrete crossbars in the river have been replaced by shallow basin structures that fish can swim over even when water levels are low.

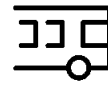
Sustainable Munich



From 2025 onwards, we will generate sufficient green electricity in our own plants to cover all of Munich's requirements.



Over a medium-term horizon, we will ensure CO₂-neutral coverage of Munich's demand for district heating.



By 2030, we will largely convert MVG buses to emission-free drives.



We will support the city of Munich in its goal to achieve mobility in eco mode (public transport, cycling, and walking) or with emission-free vehicles for 80 % of the people in Munich by 2025.



By 2030, we will increase the share of vehicles using alternative fuel sources (e. g. electric, gas or hydrogen-powered systems) in our fleet (passenger cars and light commercial vehicles) to 75 %.



By 2040, we will achieve CO₂-neutral operation of all public pools in Munich.





LHM Services sets the stage for the digitalisation of Munich's educational landscape.



FabLab Oberland uses grants it has received from the SWM Education Foundation to give pupils opportunities to experiment with devices such as 3D printers.

Committed to fairness and diversity

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. In 2020, the single largest grant of EUR 64,000 went to the FabLab Oberland association. The mobile research and experimental laboratory of this association has visited schools, educational facilities, and events in the Miesbach district since December 2019, giving children and adolescents playful access to state-of-the-art technologies such as laser cutters and 3D printers.

The Covid-19 pandemic has also confronted the educational system with new challenges. Our LHM Services subsidiary, which is responsible for equipping educational facilities in Munich with modern IT tools, responded quickly to this situation: in March 2020, it swiftly set up "Microsoft Teams Education", giving more than 110,000 Munich pupils and teachers access to digital classes. In addition, iPads were distributed at short notice to some 8,200 pupils who did not have any IT devices of their own.

Our commitment to the common good goes beyond the educational sector. M-net, for instance, is involved in refugee relief projects in the metropolitan region and supports the Refugees Online e.V. non-profit association

in its efforts to ensure successful integration. Refugee shelters are equipped with hardware and software and hooked up to the Internet at discounted rates by M-net. With this approach, we enable refugees to gain access to the digital world and help them form their own networks and undergo training. In addition, we have a longstanding tradition of pursuing diverse projects to support the Munich cultural landscape and sports programmes in the Bavarian capital.

A NEW LEVEL OF TRANSPARENCY

In 2020, we also began to provide detailed information on our corporate responsibility and commitment to environmental protection and social affairs in a dedicated Sustainability Report. Our reporting uses the internationally recognised standards of the Global Reporting Initiative (GRI) as guideposts and will continue to evolve gradually in the coming years.

Our Sustainability Report 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 quality of life of the people in Munich and the surrounding region. From energy and water supplies to mobility in the region to telecommunications and Munich's public swimming pools, SWM offers important infrastructure services at fair terms and conditions. SWM gears its mix of services to both the needs of its customers and the benefit of the Munich metropolitan region. To achieve these goals, SWM has also played an active role in the international energy markets for a long time.

SWM manages its business across all segments of the Energy value chain—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. Also, and in particular, during the Covid-19 crisis, SWM has maintained and even enhanced customer satisfaction and loyalty by keeping its performance and service quality at very high levels and communicating transparently. 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 to ensure a sustainable gas supply for Munich.

Within the framework of its district heating vision, which aims to achieve CO₂-neutral coverage of Munich's district heating requirements over a medium-term horizon, SWM will increasingly generate district heating from renewable energies, primarily geothermal energy. SWM will ambitiously expand the use of geothermal energy in the heating supply.

As a result of its renewable energies expansion campaign, SWM plans to generate enough green electricity from its own plants to cover all of Munich's electricity requirements by 2025. To achieve this goal, SWM is continuously expanding the share of electricity generation from renewable sources. However, 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.

To safeguard a secure and affordable natural gas supply for Munich, SWM also engages in gas exploration and production in Northwestern Europe via its shareholdings in Bayerngas GmbH (Bayerngas) and Spirit Energy Limited (Spirit Energy). Activities in the gas extraction business aim to reduce dependence on international oil and gas corporations and politically instable source regions. In addition, they allow SWM to influence the enforcement of stringent environmental and safety standards in production as well as approaches aimed at keeping CO₂ emissions as low as possible.

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 for SWM customers 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-Water) is delivered fresh from the source directly from the foothills of the Bavarian Alps to Bavaria's capital. M-Water satisfies the highest quality standards and ranks among the best drinking waters in Europe. The quality of the drinking water is regularly analysed in SWM's laboratory. All analytical results are significantly below the statutory limits laid down in the German Drinking Water Ordinance (TrinkwV).

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 all 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 a broad range of Internet, voice, and bandwidth services in the residential and business customer segments on a fixed-network and mobile-communications basis. 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 modern 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 measures taken around the globe to contain the Covid-19 pandemic led to a dramatic slump in Germany's economic performance in the first half of the year, especially in the months of March and April 2020. A vigorous recovery started in May, but this process was slowed down considerably by a renewed round of measures imposed in November 2020 to curb the resurging spread of infections. Germany's gross domestic product thus contracted by 5.0 % in 2020.

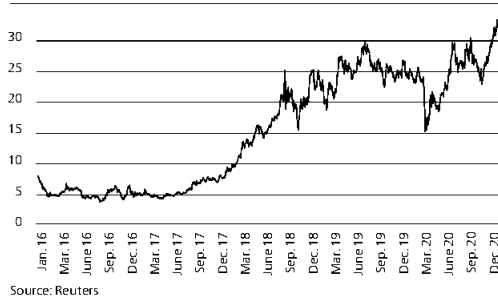
Developments in the energy markets are key influencing factors for SWM. In particular, the prices of natural gas and emission allowances and the contribution margins of power plants have a major impact on SWM's result of operations, financial position, and net assets.

Gas front year, NetConnect Germany (NCG), EUR/MWh



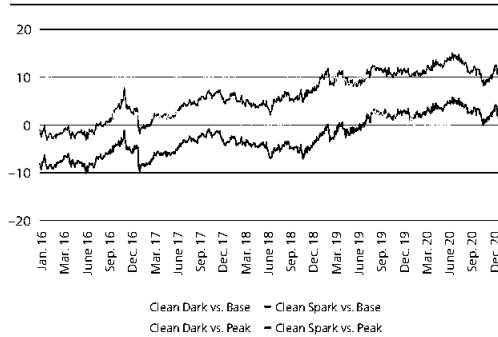
A mild winter in conjunction with excess supply of liquefied natural gas (LNG) and well-filled storage facilities led to a plunge in gas prices in early 2020. In March, the lockdown-induced massive decline in demand initially intensified this downward trend. From May onwards, gas prices fluctuated within a narrow trading range around the EUR 13/MWh mark. More favourable prospects on the demand side (low wind levels and low temperatures) fuelled a rise in gas prices to EUR 17/MWh at the end of the year.

CO₂ certificates, rolling front year, EUR/t CO₂



After an initial period of stability, prices of CO₂ certificates fell by more than 25 % in March 2020 due to the Covid-19 pandemic. In the months that followed, the stock market rebound triggered a highly volatile counter-movement, which drove CO₂ prices up to levels in the vicinity of EUR 30/t of CO₂. A further strong increase to EUR 33/t of CO₂ followed in late 2020, driven by the outcome of the US elections, hopes for a Covid-19 vaccine, and an unexpectedly low supply of emission allowances.

Clean Dark Spreads and Clean Spark Spreads, EUR/MWh



In the first few months of 2020, a sharp drop in gas prices in conjunction with an initially slight downtrend in electricity prices resulted in an increase in contribution margins of gas-fired power plants. Thanks to the resurgence in electricity prices after the lockdown, this trend continued until August. Months with pronounced fluctuations followed, and it took the peak-load contribution margins of gas-fired power plants until the end of 2020 to return to the levels in excess of EUR 12/MWh that had been recorded in late summer. The clean dark spread (base) for base-load coal-fired power plants, which had plunged deep into negative territory in June due to the rise in coal

prices, persistently remained at negative levels, briefly hitting a low of EUR -4/MWh towards the end of the year.

Conditions in the sales market

The year 2020 was again 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), internet price comparison portals were used particularly intensively in competition. This resulted in a higher frequency of discount offers and very high churn bonus levels. The aggressive behaviour displayed by some competitors, which had already been discernible in previous years, likewise continued to persist.

The continuing trend towards decentralisation of the energy supply is posing increasing challenges, but also opportunities, for energy sales. Supported by further developments in the legal framework, e.g. for tenant electricity models, decentralised energy supply approaches can increasingly be realised, including in urban environments.

The Covid-19 pandemic left particularly strong marks on the business customer segment, with many companies' demand for electricity declining due to the restrictions imposed on their business activities. On the other hand, the low price levels offered an opportunity to convince many customers to choose longer contract durations. The trend towards exchange-aligned supply products continued. Similarly, demand for green products remained strong.

Conditions in energy policy

At the European level, the "Green Deal" dominated the energy-policy agenda in 2020. With this roadmap, the European Commission intends to make the EU climate-neutral by 2050. At the same time, the already adopted climate protection targets for 2030 have also become more ambitious: CO₂ emissions, for instance, are now to be reduced by as much as 55 % compared to the 1990 base year rather than 40 %. Legislative steps to create the legal framework conditions for the new targets are envisaged for 2021. The share of renewable energies and energy efficiency are also to be increased further. In addition, strategies for the decarbonisation of the building and transport sectors have been designed with a view to defining industry-specific targets. According to these plans, greenhouse gas emissions in building and transport are to be cut by 60 % and 20 %, respectively.

To encourage strong reorientation of capital flows towards sustainable projects, the European Commission has also fleshed out its plans for a classification system (taxonomy) and submitted evaluation criteria for sustainable economic activities. Voluntary adoption of these criteria is to steer investments towards projects aimed at decarbonisation.

In September 2019, the German Federal Government published a key issues paper presenting its "Climate Protection Programme 2030" that aims to achieve the German climate protection targets by 2030. Key elements of the programme are the first federal climate protection act and a new CO₂ pricing approach for the transport and heating sectors slated to go into effect in 2021. In addition, there will be subsidisation programmes and incentives for CO₂ reduction and—over time—regulatory measures that shall have a more pronounced effect from 2030 onwards.

The national emissions trading system (nETS), which has been requested for many years, including by SWM, will be launched in 2021 with a fixed price of EUR 25 per tonne of CO₂. By 2025, the price will rise to at least EUR 55 per tonne of CO₂. And from 2026 onwards, the price will be determined by the market.

The German Coal Phase-out Act (Kohleausstiegsgesetz) aims to further reduce CO₂ emissions in the energy sector. It regulates the reduction of and exit from coal-fired electricity generation by 2038. These efforts are to be complemented by an expansion of the use of renewable energies. With this in mind, the 52 gigawatts subsidisation cap on the expansion of photovoltaic plants (PV plants) shall be removed and the subsidisation cap on the expansion of offshore wind energy parks shall be raised to 20 gigawatts.

Within the context of its Climate Protection Programme 2030, the German Federal Government announced its intention to improve the framework and subsidisation conditions for "increasing the conversion of heating grids to renewable energies and unavoidable waste heat" and launch an extended subsidisation programme for the transformation of existing heating grids by 2021. Several approaches, such as the further development of the "Wärmenetze 4.0" heating grid subsidisation programme, shall already be implemented in the near future.

Conditions in the public transport sector

The key drivers of conditions in the public transport sector continue to be the German Passenger Transportation Act (PBefG), European state aid regulations

[EU Regulation 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 2020 and will also be increased significantly. Alongside the funding of new construction projects, increasingly 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 price increases required for SWM's ability to provide services out of its own resources. Increasingly, financing arrangements must be established through general regulations, especially for the counterfinancing of fare-reduction measures.

In the city of Munich, local public passenger transport continues to face fundamental quantitative, qualitative, and economic challenges due to an increase in demand associated with population and commuter growth, especially at peak hours. At the same time, the recruitment of qualified staff, notably operating staff 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 framework conditions for the transport sector outlined above essentially continue to apply, not least due to the persisting Covid-19 pandemic. However, this special situation has given rise to additional challenges for the industry, as operators have continued to offer what is virtually their full range of services—despite massive declines in demand and revenues—to make continued safe use of local public transport systems possible. This

has allowed them to make as much space as possible available to passengers with a view to ensuring sufficient distancing between individuals.

However, the continuation of nearly regular service was solely possible due to the EUR 140 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 2020. Nevertheless, the rescue package did not fully offset the revenue shortfalls faced by transport companies. According to the specific regulations of the Free State of Bavaria, transport companies have to bear 10 % of the loss in question themselves.

In the summer of 2020, SWM thus launched a rigorous austerity programme focusing on a further reduction in internal costs and a shift of sizeable fund outflows to subsequent years. So far, it has not been necessary to implement measures with severe long-term consequences.

Telecommunications market

According to forecasts presented by VATM and dialog consult in October 2020, total revenues generated with telecommunications services in Germany amounted to approximately EUR 58.9 billion in 2020. Revenues in the market as a whole thus increased slightly versus the previous year, by EUR 0.6 billion (+1.03 %). Over a short and medium-term horizon, further massive advances in digitalisation can be expected in the economy, in the public sector (e.g. in schools and public authorities), and in private life, with the requisite digital infrastructures gaining even more significance. The roll-out of fibre-optic networks to individual flats or workplaces will thus become increasingly important.

The opening of fibre-optic networks that have been installed (FttB/H and FttC) to other competitors (open access) within the framework of what is known as “wholesale marketing” continued in 2020. This trend will intensify further as the telecommunications providers actively involved in the roll-out of fibre-optic networks seek to achieve high utilisation rates in their networks in combination with fast amortisation of the investments made.

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 electricity and gas provider—for the ninth time in a row. Especially during

the Covid-19 pandemic, SWM increased its efforts in terms of pricing with a view to supporting its customers in weathering the crisis well. Whereas many competitors raised their prices due to higher state-induced levies and procurement costs for energy, SWM decided to keep the prices for residential customers stable in the year under review, thereby rewarding the strong loyalty of its clients even in difficult times. Through intensive measures aimed at retaining existing and attracting new customers, SWM was well able to maintain its strong market position in the residential and business customer segments and further increase the number of electricity and gas service agreements.

In the business customer segment, electricity sales fell sharply in the wake of the first lockdown in spring and did not recover fully in the remainder of the year. Apart from unrealised margins, the necessary sell-off of the volumes procured at considerably lower wholesale prices had a particularly negative impact. On the other hand, sales volume in the heating segments remained largely unaffected.

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 supportive.

Alongside persistently keen competition, the Covid-19 pandemic also impacted the energy sales of the SWM shareholding Energie Südbayern GmbH (ESB), which likewise recorded a downward trend in sales in its corporate and key account business.

In 2020, SWM generally succeeded in keeping gas, district heating, and water sales volumes at the previous year’s levels. A decrease was recorded in overall electricity sales volumes, especially in the business customer segment due to the Covid-19 pandemic.

Trade

In 2020, the energy markets were subject to high price volatility induced by the Covid-19 pandemic. Thanks to SWM’s hedging strategy for the market-price-dependent portfolio, however, this volatility had only a relatively minor effect on trading result in the year under review. One focus of operating activities in 2020 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 succeeded in seizing the opportunities offered by the volatile wholesale market for profit enhancement.

In the Plattform Energie GmbH purchasing pool, SWM's ESB shareholding is responsible for energy procurement and portfolio management with a total volume of approximately 4.2 billion kilowatt-hours for electricity and natural gas for 36 municipal partners. The goal is to win additional municipal partners in the future.

Generation

SWM continues to be well-positioned in the combined heat-and-power (CHP) market. The technical availability, performance, efficiency, and flexibility of joint electricity and district heating generation in SWM's own CHP plants are continually optimised. The goal is to ensure high availability levels, especially during periods of high electricity demand.

The German Combined Heat and Power Act (KWKG) created opportunities for the modernisation of CHP plants that SWM has seized: the installation of new gas turbines at the Freimann power station was completed in 2020 and the plant commenced operations. It is to run in test mode until 2021. Due to the Covid-19 pandemic, the gas turbine replacement and/or conversion at the gas and steam turbine plant 2 at the "Heizkraftwerk Süd" power station will not be completed until 2021.

The power generation portfolio will gradually be supplemented by stationary large-volume batteries. The battery at the Freiham site was commissioned in 2019, and the battery at the Freimann site followed in 2020. Further planning processes are being pursued for the Uppenborn 1 and Menzing sites.

The Freiham geothermal heating plant was expanded to supply the low-temperature district heating grid with a view to hooking up new residential neighbourhoods. On the site of the "Heizkraftwerk Süd" power station, measures aimed at integrating geothermal energy, district cooling, and heat storage systems are progressing. Six geothermal wells were successfully drilled and sunk. In all likelihood, the geothermal plant will go into production at the start of the 2021 heating season and should significantly exceed the initial expectation of approximately 50 megawatts.

To cover the steadily growing demand for district cooling, plans are being drawn up for the installation of a district cooling centre at the "Heizkraftwerk Süd" site. It is scheduled to become operational in the summer of 2022.

In the implementation of its 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 2020, major progress was made in the SWM wind parks under construction—despite temporary delay risks due to the impact of the Covid-19 pandemic. At the Austri Kjølberget wind park in Norway (SWM stake: 60%), commencement of operations will presumably be postponed slightly, to the first half of 2021. The Jasna wind park in Poland is on the verge of completion.

In the Norwegian Midgard Vind Holding AS onshore portfolio (SWM stake: 70%), the installation of two wind parks with a total capacity of approximately 110 megawatts was finalised at the end of 2020, with one wind park fully commencing operations and one being about to be completed in the near future. A further two wind parks (with a total capacity of approximately 220 megawatts) are slated for completion in 2021. Some 120 megawatts of the Midgard portfolio are already in regular operation.

Due to the successful sale of wind parks, the capacity of the wind parks held by wpd europe GmbH (SWM stake: 33%) in its own portfolio decreased slightly in 2020, to 580 megawatts.

In the SWM 50 MW, Havelland, SWM Wind Onshore France, Sidensjö, and Austri Raskiftet onshore wind parks, operations proceeded as expected. While the overall plant output exceeded the plan, electricity prices in Scandinavia are very low in some instances. To some extent, the negative effect of this situation was successfully reduced at the group level through hedging transactions.

The Gwynt y Môr, DanTysk Sandbank and Global Tech I offshore wind parks are in regular operation. At DanTysk Sandbank, damaged cables resulted in revenue reductions and repair costs in 2020.

The lawsuit against the Spanish Government, filed on behalf of the Andasol 3 solar thermal power plant in Spain due to retroactive governmental intervention in the amount of electricity feed-in tariffs (FITs) payable, resulted in a negative court decision. The power plant itself is running soundly from a technical perspective and is also economically stable under the adjusted framework conditions.

Via its wholly owned subsidiary BioEnergie Taufkirchen GmbH & Co. KG (BET), SWM operates one biomass combined heat and power plant that converts

uncontaminated non-recyclable timber and wood chips from the surrounding region into CO₂-neutral heating and green electricity.

SWM's Hanse Windkraft GmbH subsidiary, which was established in 2018, makes a contribution to the renewable energies expansion campaign. Among other things, Hanse Windkraft acquires legacy wind parks for which subsidisation under the German Renewable Energy Act (EEG) 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.

The projects that have already been implemented, together with those that have been initiated, will give SWM access to generation capacities totalling approximately 6 billion kilowatt-hours of green electricity per annum in its own plants. This corresponds to more than 80% 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 by 2025—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 2020. This is due to both Covid-19-related restrictions and technically induced downtimes in some fields.

In sum, it can be noted that the ongoing modernisation of CHP power plants will ensure SWM's continued ability to act as a successful player in the electricity market and supply Munich with district heating in the future, too. The expansion of geothermal energy use is proceeding as scheduled and highlights SWM's proactive role in shaping the heating transition. In 2020, the renewable energies expansion campaign made further headway, both in the projects under construction and the stabilisation of operations in already up-and-running power plants.

Energy Networks

In the 2020 financial year, SWM Infrastruktur Region GmbH was merged into SWM Infrastruktur GmbH & Co. KG (SWM Infrastruktur). The merger laid the foundation for the application of a uniform gas grid utilisation fee to the city of Munich and the municipalities in the surrounding metropolitan region that are part of the supply system in the fourth regulation period running from 2023 to 2027.

To further enhance electricity supply reliability, the high-voltage switchgear was replaced in the Hotterstrasse and Moosburg transformer stations.

The cooperation between Bayernwerk and SWM Infrastruktur via the RegioNetzMünchen electricity grid operator included the takeover of grid operation in Garching, Aschheim, Kirchheim, and Feldkirchen with effect from 1 January 2020. SWM Infrastruktur successfully commenced grid operation.

For the gas grids of the municipalities of Eichenau, Gröbenzell, and Puchheim, a new company was established in cooperation with KommEnergie GmbH.

To enhance its attractiveness in the competition for the development of large-scale connection objects, SWM Infrastruktur has adjusted its price policy for electricity and gas grid connections. The company pursues the goal of obtaining additional grid sections within its supply area. To this end, customer support has been enhanced even further. In addition, SWM is preparing the establishment of a new company that will manage closed electricity distribution grids. The authorities have already approved the first closed distribution grid.

In the "heating transition" future project, SWM will predominantly generate heat from deep geothermal energy. To ensure that the energy so generated can also be distributed throughout the city, the underground steam-operated grid must be refurbished to accommodate hot-water operation. The work on these conversions, which will also affect customer installations, began during the period under review.

The water mains, primarily two pipe rings with cross-connections, are the backbone of safe and reliable drinking water supply in the city of Munich. To ensure the long-term viability of this supply system, replacements were necessary in the third water mains (HW 3). In 2020, a 1.1 kilometre long section was refurbished, partly in open construction and partly on the basis of the relining process.

The demand for district cooling for buildings is steadily increasing in Munich. At the site of the "Heizkraftwerk Süd" power station, cooling can be generated in a particularly eco-friendly manner. In the period under review, work commenced in the project aimed at connecting downtown Munich to the cooling plants at the "Heizkraftwerk Süd" site via a 6 kilometre long pipe.

After the on-schedule commissioning of the Wertingen compressor station in 2019, bayernets GmbH pressed ahead with the Wertingen-Kötz transmission line construction project in 2020.



Water

Ensuring the excellent quality of Munich's drinking water is a top priority for SWM. In partnership-based cooperation with the local municipalities and population, SWM preserves the purity of well and ground water in the water catchment areas. This includes the encouragement of organic farming in the Mangfall valley water catchment area through the "ecoFarmer" initiative. More than 175 organic farmers are already making an important contribution to drinking water and nature preservation by practising agricultural methods that are close to nature and protect the water as well as species-appropriate animal husbandry. 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 ensure the long-term drinking water supply, maintenance and repair of the water extraction plants and the currently necessary renewal of the water law permit for the Schotterebene catchment area are further important tasks of SWM.

SWM's goal is to continue to ensure a high-quality drinking water supply in sufficient quantities and at affordable prices. To achieve this goal, SWM will remain committed to maintaining a drinking water supply system that is a municipal responsibility in the future, too.

Mobility

Despite the massive adverse effects resulting from the Covid-19 pandemic in 2020, 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 at short notice. 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 2020 financial year. In total, the Mobility division had 4,416 employees as of 31 December 2020, of which 1,602 are at MVG.

Evaluations for 2019 and the first half of 2020 again resulted in customer satisfaction scores above the national average. In particular, no decline in customer satisfaction was recorded in the first half of 2020—despite 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 focus is still on the expansion of two-minute interval frequencies on particularly highly utilised underground sections and on 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 tram routes.

In 2020, the services campaign involved expenditures totalling around EUR 477 million for underground, bus, and tram projects. Investments mainly focused on the procurement of state-of-the-art vehicles—a total of 73 trams of the Siemens Avenio type will be procured in the coming years alone—, on the tram system, 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. By 31 December 2020, it recorded approximately 255,000 registered customers and more than 685,000 rental transactions.

At the current juncture, it is not yet foreseeable whether and when demand for public transport services will increase again 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.

The functions in the Mobility Management business segment were analysed in a project and restructured based on the resultant insights. This will make a contribution to addressing all current and future challenges as effectively as possible.

Telecommunications

Demand for higher bandwidth has been increasing steadily, 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) is currently being rolled out with the aim of hooking up approximately 32,000 buildings outside the Mittlerer Ring beltway. In 2020, the expansion of the FttB network was completed in five neighbourhoods and expansion work began in the last five of a total of 24 neighbourhoods. Further investments were made to link additional locations to a public WLAN (WiFi) network.

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

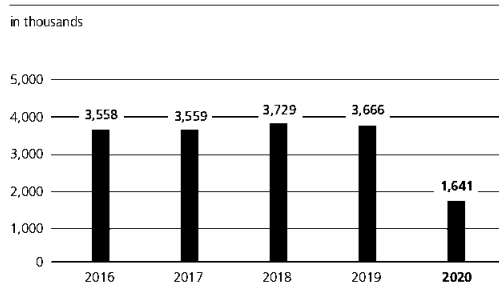
In sum, the key task in 2020 was to expand a powerful data infrastructure even further with a view to enabling residential and business customers to benefit from the use of new digital applications and technological evolution.

Public Pools

In 2020, operating performance was hit very hard by the fact that the public pools were closed for almost five months due to the Covid-19 pandemic. Visitors numbers—and, by extension, revenues—thus decreased significantly. The reduction in operating costs during the lockdown offset only a small part of the decline in revenues. After all, new hygiene concepts had to be implemented and a new reservation system introduced at short notice. Employees were temporarily assigned to short-term work schemes. Already paid course fees were reimbursed.

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 case in the future, too. In the next few years, the refurbishing of wading pools in the Michaelibad, Westbad, and Ungererbad summer pools and the transformation of the Georgenschwaige outdoor pool into a CO₂-free natural pool are on the agenda.

M-Bäder visitor trend



Business situation

The 2020 financial year was substantially impacted by income from associated companies. The loss incurred by one associated company was due to falling prices in the gas and oil market, which resulted in lower valuations of future surpluses and, hence, corresponding impairments and a loss of EUR 456 million.

In the 2020 financial year, SWM Infrastruktur Region GmbH was merged into SWM Infrastruktur GmbH & Co. KG. As carrying amounts were not adjusted, this change in the consolidation Group did not have any impact on the group's net assets, financial position, and results of operations in the consolidated financial statements.



Results of operations

Revenues

SWM's revenues decreased from EUR 10,711 million to EUR 7,483 million.

Revenues and volume sales

	Volume sales 2020	Revenues 2020 in kEUR	Volume sales 2019	Revenues 2019 in kEUR
Electricity (GWh)	38,003	2,859,143	37,282	2,811,739
Natural Gas (GWh)	163,951	3,021,555	345,802	6,225,149
District Heating (GWh)	4,288	351,199	4,422	396,454
Water (million m ³)	99	172,354	97	169,457
Public Transport		438,799		563,184
Public Pools (thousand visitors)	1,641	9,303	3,666	20,099
Telecommunications		271,446		259,373
Other		359,611		265,756
		7,483,410		10,711,211

Electricity revenues increased by 1.7 % to EUR 2,859 million. This increase was mainly attributable to higher trading volumes.

Natural gas revenues went down by EUR 3,204 million to EUR 3,022 million. This downtrend in revenues was essentially driven by lower volumes and mainly related to trading volumes.

District heating revenues decreased by EUR 45 million to EUR 351 million, with volume sales falling by 3.0 % year-on-year in the year under review.

At EUR 172 million, water revenues remained virtually flat versus the previous year's level of EUR 169 million.

Due to the Covid-19 pandemic, a decrease in revenues from EUR 563 million to EUR 439 million was recorded in the underground, tram, and bus services of the local public transport system.

Public pool revenues went down from EUR 20 million to EUR 9 million, which was, among other things, due to state-decreed temporary closures.

In the highly competitive telecommunications market, SWM maintained its successful performance by increasing its revenues from EUR 259 million to EUR 271 million. This performance can mainly be attributed to highly future-proof fibre-optic offerings at competitive prices.

Development of further significant items in the income statement

Other operating income increased by EUR 102 million year-on-year, to EUR 343 million. The main reason for this increase was income of EUR 140 million from the rescue package for local public transport companies. Additional purchase price payments of EUR 37 million also made a contribution. On the other hand, operating income was reduced by a reversal of provisions of EUR 88 million compared to the previous year.

Cost of materials went down from EUR 8,770 million to EUR 5,701 million. This decrease corresponded to the downtrend in gas sales volumes. In addition, changes in procurement prices were reflected in cost of materials.

Personnel expenses increased from EUR 740 million to EUR 792 million. On a group-wide basis, the number of employees (excluding trainees, temporary, and seasonal workers) increased from an average of 9,444 to 10,004 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 491 million. Scheduled write-downs rose by EUR 21 million to EUR 491 million. No unscheduled impairments were posted in the year under review – in contrast to the previous year when an amount of EUR 46 million had been booked.

Tax expenses

Taxes decreased from EUR 190 million to EUR 106 million. The income tax burden contained therein went down from EUR 174 million to EUR 95 million, mainly due to the substantial decrease in earnings generated by the companies.

Earnings

Earnings before taxes amounted to a loss of EUR 45 million (previous year: profit of EUR 307 million). Consolidated net income after tax and before profit and loss transfer came to EUR –152 million.

Operating result after adjustment for one-off effects amounted to EUR 414 million in the financial year under review, which corresponds to a decrease of EUR 45 million year-on-year. EBITDA declined from EUR 928 million to EUR 905 million.

SWM's financial result stood at EUR –522 million in 2020, compared to EUR –262 million in the previous year. The EUR 260 million decrease in SWM's financial result was mainly due to lower income from associated companies. The main offsetting effect resulted from lower interest expenses.

Net assets

SWM's total assets decreased by 3.7 % year-on-year, to EUR 10,763 million, in the year under review.

Assets

Property, plant, and equipment went up from EUR 5,828 million to EUR 6,357 million. This increase was mainly attributable to investments in downpayments and plants under construction.

Financial investments decreased from EUR 2,893 million to EUR 2,146 million. This was mainly due to the reduction in the amount posted for shareholdings in associated companies in the wake of negative results. In addition, loans to companies in which SWM holds a stake decreased by EUR 207 million.

Overall, fixed assets decreased by EUR 202 million to EUR 8,600 million.

Due to the disproportionate decrease in total assets, SWM's fixed asset intensity increased from 78.7 % in the previous year to 79.9 %. The shareholders' equity in the balance sheet provides 64.0 % cover for the long-term assets tied up in the Group, compared with 64.5 % in the previous year.

Overall, investments in property, plant, and equipment and intangible assets increased from EUR 760 million to EUR 1,107 million.

Investments in property, plant, and equipment and intangible assets

in kEUR	2020	2019
Energy and Water	514,345	412,221
Mobility	371,844	179,279
Public Pools	3,666	9,150
Telecommunications	75,989	78,093
City of Munich Services	32,658	14,625
Central Services	108,733	66,398
	1,107,235	759,766

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, customer connections, and meter procurement.

Investments in Mobility focused on the acquisition of new vehicles, especially new underground trains and vehicles for the bus and tram fleet. Further investment items related to 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 decreased from EUR 2,338 million to EUR 2,096 million. Factors contributing to this downward trend included a lower cash and cash equivalent balance and a decrease in receivables and other assets.

Liabilities

As of 31 December 2020, shareholders' equity amounted to EUR 5,501 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 increased year-on-year to 53.1 %.

Provisions decreased from EUR 2,312 million to EUR 2,143 million. This decrease was mainly attributable to the fact that provisions for contingent losses went down by EUR 115 million and provisions for outstanding purchase invoices were EUR 40 million lower.

Liabilities decreased from EUR 2,812 million in the previous year to EUR 2,740 million, the key driver being a EUR 71 million reduction in liabilities due to banks.



Financial position

Cash flow

Cash flow from operating activities amounted to EUR 950 million. Starting from a consolidated net loss of EUR 152 million, the key drivers of the positive cash flow were non-cash write-downs on fixed assets of EUR 1,005 million.

Apart from that, offsetting effects mainly came from changes in inventories and trade accounts receivable and other assets not to be classified as investing or financing activities (EUR +240 million) and income tax payments (EUR –170 million).

The considerable increase in cash flow from operating activities compared to the previous year was mainly due to liquidity-relevant changes in the areas of accounts receivable and other assets on the one hand and liabilities on the other. Within net current assets, short-term receivables, in particular, decreased in the financial year under review.

The cash flow from investing activities amounted to EUR –796 million. Outflows for property, plant, and equipment (EUR 1,087 million) and intangible assets (EUR 20 million) primarily related to Generation, Energy Sales, Mobility, and Telecommunications. Investments in financial assets (EUR 125 million) mainly comprised stakes in affiliated companies and securities. The Group received interest of EUR 32 million from investments in financial assets.

The cash flow from financing activities amounted to EUR –156 million. Cash received from financial loans with a net amount of EUR 112 million and inflows into additional paid-in capital of EUR 46 million were mainly offset by outflows for the redemption of borrowings of EUR 173 million, the profit transfer to the shareholder of EUR 100 million for the previous year, and interest payments of EUR 58 million.

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

Liquidity

The slightly negative cash flow of EUR 2 million resulted in virtually unchanged funds available at short notice of EUR 621 million.

In 2010 and 2011, Stadtwerke München GmbH took out loans (with maturities between seven and 20 years) worth some EUR 1.5 billion, primarily in the form of promissory notes, in order to finance long-term investments within the framework of its renewable energies

expansion campaign. Total financial liabilities now amount to EUR 1,587 million, of which around 30 % was taken out with variable interest rates. Interest-rate swaps have been used to reduce this share considerably. In order to mitigate foreign currency risks, the Gwynt y Môr wind park off the Welsh coast was financed by taking out loans in pounds sterling along with the associated hedging in the form of cross-currency swaps.

The current low-interest-rate environment has provided SWM with very favourable refinancing opportunities. At the same time, the value of the interest-rate derivatives portfolio has declined, leading to provisions for contingent losses that add up to a total in the low double-digit million range.

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 850 million. EUR 56 million thereof can be used as both cash loans or surety and EUR 85 million as surety only. Out of this total, EUR 41 million were drawn as surety only and EUR 3 million were drawn as credit lines that can be used as both cash loans and sureties on the reporting date. Credit lines with a total volume of EUR 500 million had a maximum maturity until April 2025.

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 63 million, mainly driven by income from the reversal of provisions, income from asset disposals, and other out-of-period effects. Adjusted EBIT thus amounted to EUR 414 million in the financial year under review.

Revenues fell short of expectations in 2020—especially due to lower trading volumes. Operating profit (EBIT) after adjustment for one-off effects was slightly below expectations, as the lower gross profit was not offset by other operating income and cost savings. Due to the negative income from associated companies, 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. The indicators outlined below, 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 10,777 staff members in the fully consolidated companies during the 2020 financial year (previous year: 10,166). This figure can be subdivided into 10,004 employees (previous year: 9,444), 455 trainees (previous year: 428), 282 temporary staff (previous year: 257), and 36 seasonal workers (previous year: 37).

At the proportionately consolidated companies, 502 staff members were employed (previous year: 492). This figure can be subdivided into 462 employees (previous year: 449), 17 trainees (previous year: 17), and 23 temporary staff and seasonal workers (previous year: 26).

Electricity generation capacity from renewable energies at SWM increased to 4,451 gigawatt-hours (previous year: 4,220 gigawatt-hours). Apart from excellent wind yields at the Sidensjö wind park in Sweden, the key 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 trial operation at the Jasna wind park in Poland.

3. Forecast, Risk, and Opportunity Report

Forecast report

In its autumn report, the Joint Economic Forecast Project Group assumes that the Covid-19 pandemic will continue to dominate the economic performance of Germany and the world in 2021. Accordingly, it expects the pandemic-induced restrictions to initially continue, with more stringent measures being imposed for specific regions or limited time periods. In this connection, the Project Group also highlights the still existing great uncertainties about the future course of the pandemic and potential renewed infection control measures.

Once the spread of the pandemic has been curbed, the Project Group expects a gradual repeal of the containment measures, combined with an only slow normalisation of economic activities. The reasons for this assessment are, above all, reduced capital expenditures due to deteriorated sales expectations and a reduced equity base and the expectation of a significant increase in insolvencies. In addition, the Project Group thinks that new jobs to replace the ones eliminated during the pandemic will be created only gradually.

As in 2020, both the demand for local public transport and public pool offerings in the Munich metropolitan region will again mainly be determined by political decisions on lockdowns in 2021.

In the assumptions on which the plans for 2021 are based, SWM foresees only minor repercussions of the Covid-19 pandemic, primarily in the Mobility segment.

Under these assumptions, both electricity sales to customer and electricity generation are expected to remain stable compared to 2020, and the same also applies to gas revenues.

Due to the measures initiated by Spirit Energy at the onset of the Covid-19 pandemic with a view to stabilising its cash flow (reduction in or postponement of capital expenditure, postponement of operating projects, cost reductions), oil and gas output will decrease considerable from 2021 onwards compared to both the previous years and prior expectations.

Given the pandemic-induced delay in the commissioning of the gas and steam turbine plant 2 at the "Heizkraftwerk Süd" power station, the first CHP grants for modernisation work in the fleet of power stations are



expected to be paid for 2021. Their full effect should then become noticeable from 2022 onwards. On the other hand, earnings will be burdened throughout 2021 by the CO₂-optimised operation of the coal-fired block unit in our "Heizkraftwerk Nord" power station and residual electricity volumes for continued operation of the "Isar 2" nuclear power station.

Due to rising operating costs of maintaining its performance capabilities and continuous expansion of its services, SWM expects reductions in both EBIT and net profit after tax in 2021. On this basis, SWM envisaged EBIT of approximately EUR 400 million in 2021. Net profit after tax is expected to be clearly in positive territory.

Should the Covid-19 pandemic and any ensuing lockdown also make themselves felt throughout the year 2021, the resultant negative impact would hit the Mobility segment—in the absence of a rescue package similar to the one adopted in 2020—and Public Pools particularly hard.

For 2021, SWM envisages the average number of employees in fully consolidated companies to exceed the previous year's level.

Risk report

Risk management system

The objective of risk management at SWM is to ensure the company's 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, limits, positions, profits and losses are monitored daily in the respective IT systems. In addition, Specialist Risk Committees are involved via detailed reporting lines.

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 2020 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

The SWM management has analysed the repercussions of the Covid-19 pandemic and their impact on the company's risk positions. 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 2021 are mainly associated with the risks arising from the pandemic, which primarily affects 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.

Energy market risks

Developments in the energy markets have a significant 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 value of assets. 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, elevated energy market risks exist; in particular, such risks may arise from the resultant market price developments and the associated valuation of assets.

Financial risks

Volatile equity prices, interest rates and exchange rates 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 minimising 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 subsequent rebound. 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.

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.

The energy efficiency that the "Clean Energy Package" seeks to achieve will lead to sales volume reductions accompanied by high implementation costs. Subsidisation under the German Combined Heat and Power Act (KWKG) has been extended, thereby ensuring greater planning certainty for investment projects. At the same time, the determination of the mark-up rates will lead to dependence on political decisions, thus giving rise to the risk of planning uncertainty.

SWM counters the aforementioned 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 bears 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 in gas and oil exploration via the Spirit Energy joint venture. The latter has a portfolio of gas and oil fields in production and in development as well as exploration licences in Northwestern Europe. 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 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 technically complex installations for generating and distributing energy and water. The 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 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. In addition, the measures taken by SWM to counter safety and environmental risks are certified every year by independent experts.

Should the Covid-19 pandemic and any ensuing lockdown continue to make themselves felt throughout the year 2021, the results of the Public Pools segment would also be negatively affected.



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 is becoming increasingly challenging. 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.

Should the Covid-19 pandemic and any ensuing lockdown make themselves felt throughout the year 2021, the results of the Mobility segments would be subject to high risk due to lower passenger numbers and the resultant revenue shortfalls 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, elevated sales and procurement risks continue to exist, which may be reflected in decreasing revenues and rising expenses.

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.

Overall assessment

No risks that might pose a potential threat to the continued existence of SWM as an ongoing concern arose in 2020, and none have been identified for 2021. 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 market leadership in the city of Munich and the growth of the entire Munich metropolitan region continue to give SWM an excellent starting position for retaining and strengthening its business with residential and business customers. On the one hand, the people moving to Munich offer sustained potential to win new customers. On the other, prospects are also good for using a strong foothold in the surrounding metropolitan region to attract new customers and accompany and, hence, retain existing customers that move out of the city. In addition, online channels offer good opportunities to acquire new residential and business customers on a nation-wide level.

SWM will continue to pursue targeted initiatives aimed at seizing the growing market opportunities in the development of eco-friendly utility services for areas and quarters. The expansion of district heating and district cooling offers will likewise be pursued further.

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 that are self-funding. The expansion of renewable energies not only contributes to climate protection but can also help achieve greater independence from fossil fuels and their suppliers.

SWM plans to seize the opportunities arising from the ramp-up of the electromobility market by offering differentiated charging solutions to all customer segments and charging facilities in private and semi-public spaces. Similarly, the company seeks to tap the growth potential in the area of decentralised energy solutions (e.g. photovoltaic and storage systems) by expanding its product and service range and boosting volume growth. SWM continues to work intensively on the development of digital business models in energy-related areas.

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, car-sharing options that aim to interlink environmentally benign means of transport, and, possibly, demand-aligned shuttle services, 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. 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.

Stadtwerke München GmbH

Munich, 26 March 2021

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. 2020	31 Dec. 2019
Assets			
Non-current assets	1		
Intangible assets		96,207	80,303
Property, plant, and equipment		6,357,229	5,828,310
Financial assets		2,146,233	2,893,116
		8,599,669	8,801,729
Current assets			
Inventories	2	249,426	267,719
Receivables and other assets	3	1,226,052	1,447,684
Securities	4	434,921	256,676
Cash in banks	5	185,864	366,310
		2,096,263	2,338,389
Prepayments and accrued income	6	51,801	40,746
Positive difference of plan assets over pension liabilities	7	15,299	45
		10,763,032	11,180,909
Equity and liabilities			
Shareholders' equity	8		
Subscribed capital		485,000	485,000
Additional paid-in capital		5,580,503	5,534,912
Retained earnings		-711,986	-529,372
Non-controlling interests		147,489	187,631
		5,501,006	5,678,171
Special item for investment grants	9	28,299	34,550
Income grants received	10	94,395	83,202
Provisions and accruals	11	2,143,383	2,312,290
Liabilities	12	2,740,333	2,811,880
Deferred income	13	214,604	211,723
Deferred tax liabilities	14	41,012	49,093
		10,763,032	11,180,909



Consolidated Income Statement

in kEUR	Notes	2020	2019
Revenues		7,683,711	10,918,532
Energy tax		-101,989	-100,555
Electricity tax		-98,312	-106,766
Revenues, excluding electricity and energy tax	15	7,483,410	10,711,211
Increase or reduction in inventories of finished goods or work-in-progress		-2,469	209
Other capitalised own work		61,724	53,169
Other operating income	16	343,433	240,789
Cost of materials	17	5,701,318	8,769,508
Personnel expenses	18	791,620	740,417
Depreciation and amortisation	19	490,805	515,691
Other expenses	20	425,116	410,113
Financial result	21	-521,951	-262,296
Income tax	22	94,606	173,695
Net income		-139,318	133,658
Other taxes	22	11,604	16,399
Equalisation payment to non-controlling interests		1,123	1,123
Consolidated net income before profit transfer		-152,045	116,136
Profit transferred as a result of a profit transfer agreement	23	4,955	121,977
Consolidated net loss		-157,000	-5,841
Loss attributable to non-controlling interests		42,663	8,012
Consolidated loss (previous year: consolidated profit)		-114,337	2,171
Withdrawal from retained earnings (previous year: payment into retained earnings)		114,337	-2,171
Consolidated cumulative profit/loss		0	0



Consolidated Cash Flow Statement

in kEUR	2020	2019
Consolidated net income (before profit transfer and including profit/loss attributable to non-controlling interests)	-152,045	116,136
+/- Depreciation netted with write-ups for fixed assets	1,004,629	657,470
+/- Increase/decrease in provisions	-144,119	-188,181
+/- Other non-cash-effective expenses/income	-36,580	-10,058
Increase/decrease in inventories, trade accounts receivable as well as other assets		
-/+ not classified as investing or financing activities	239,925	-198,170
Increase/decrease in trade accounts payable and other liabilities not classified as investing or financing activities		
+/-	70,034	-101,958
-/+ Profits/losses from the disposal of fixed assets	-9,708	-12,928
+/- Interest expenses/income	70,132	95,567
- Other income from equity investments	-16,820	-14,692
+/- Income tax expenses/credits	94,606	173,695
-/+ Income tax payments	-170,201	-156,533
Cash flow from operating activities	949,853	360,348
+ Inflows from disposals of property, plant, and equipment	40,568	33,974
- Outflows for investments in property, plant, and equipment	-1,086,828	-751,375
+ Inflows from disposals of intangible assets	0	2,288
- Outflows for investments in intangible assets	-20,407	-8,391
+ Inflows from disposals of financial assets	347,313	276,141
- Outflows for investments in financial assets	-125,485	-153,086
+ Interest received	32,328	36,098
+ Dividends received	16,820	14,692
Cash flow from investing activities	-795,691	-549,659
+ Inflows from additions to shareholders' equity	45,591	35,802
+ Inflows from net borrowings	112,494	40,055
- Outflows for the redemption of borrowings	-173,311	-63,219
+ Inflows from grants received	12,346	10,149
- Interest paid	-57,657	-88,505
- Outflows to shareholders of the parent company	-100,000	-100,000
+/- Contributions from/payments to other shareholders	4,263	6,054
Cash flow from financing activities	-156,274	-159,664
Net change in cash and cash equivalents	-2,112	-348,975
Changes in cash and cash equivalents due to consolidation group	0	4,996
Cash and cash equivalents at the start of the period	622,897	966,876
Cash and cash equivalents at the end of the period	620,785	622,897

Breakdown of cash and cash equivalents

in kEUR	2020	2019
Liquid assets	185,864	366,310
Securities held as current assets	434,921	256,676
Bank borrowings due on demand	0	-89
	620,785	622,897



Schedule of Consolidated Shareholders' Equity

in kEUR	Parent company					
	Subscribed capital	Additional paid-in capital	Retained earnings	Shareholders' equity currency translation differences	Cumulative loss/profit	Shareholders' equity
As of 1 Jan. 2019	485,000	5,477,133	-552,234	-39,961	0	5,369,938
Consolidated result before profit transfer					124,148	124,148
Profit transfer					-121,977	-121,977
Consolidated net income/net loss					2,171	2,171
Payment into additional paid-in capital		57,779				57,779
Transfer of cumulative profit			2,171		-2,171	0
Currency translation differences				60,652		60,652
Changes in the consolidation group						0
Other changes in non-controlling interests						0
As of 31 Dec. 2019	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 additional 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



Non-controlling interests				Consolidated shareholders' equity
Non-controlling interests before shareholders' equity currency translation differences and net income	Shareholders' equity currency translation differ- ences allocable to non-controlling interests	Profit allocable to non-controlling interests	Total	
120,590	1,131	-14,504	107,217	5,477,155
		-8,012	-8,012	116,136
			0	-121,977
		-8,012	-8,012	-5,841
			0	57,779
			0	0
	1,401		1,401	62,053
80,971			80,971	80,971
-8,450		14,504	6,054	6,054
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



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 2020 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 30 (previous year: 31) fully consolidated subsidiaries in which Stadtwerke München GmbH directly or indirectly holds a majority of voting rights.

As in the previous year, five companies have been 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 and 312 HGB, because included companies have a major impact on their business and financial policies.

A total of 21 (previous year: 19) 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 2020).

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 all 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 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 shareholders' 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 a five-year period using the straight-line method.

The goodwill of the associated company Spirit Energy Limited was previously amortised in line with the expected useful operating lives of the natural gas and oil fields over a ten-year period using the straight-line method. Due to a decline in fair value, the remaining goodwill was completely written off as of 31 December 2020 in an unscheduled impairment.

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 spot mid 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 impairments. Costs of production of capitalised own work comprise direct cost of labour, 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 also changed to the straight-line method as soon as such a change results in higher levels of depreciation.

Capital grants received are deducted from the asset balance if the company in question is both the recipient of the subsidy and the owner of the asset. Otherwise, capital grants are recognised as deferred income and written off over a period of 20 years 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 2020 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 received in relation to fixed assets were shown as special items for investment grants up until 2009. 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 of 2010 et seq. are 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 5.0 %, 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:

Actuarial calculation method	Civil servants and salaried employees		Employees not covered by collective wage agreements	
	Net present value method 2020	Net present value method 2019	Projected unit credit method 2020	Projected unit credit method 2019
Interest rate in accordance with the RückAbzinsV for the past 10 years in %	2.30	2.71	2.30	2.71
Interest rate in accordance with the RückAbzinsV for the past 7 years in %	1.60	1.97	1.60	1.97
Salary and benefits growth in %	1.68– 2.00	2.00	–	–
Career trend in %	0.50	0.50	–	–
Pension growth in %	1.68– 2.00	2.00	1.50	1.50
Difference of plan assets over pension liabilities pursuant to Section 253 (6) HGB in kEUR	60,563		62	

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 (3) 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 beneficiary 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 an asset value 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	
	Net present value method 2020	Net present value method 2019	Net present value method 2020	Net present value method 2019	Net present value method without minimum age 2020	Net present value method without minimum age 2019
Actuarial calculation method						
Interest rate in accordance with the RückAbzinsV for the past 7 years in %	0.44	0.58	1.60	1.97	1.60	1.97
Salary and benefits growth in %	1.40–2.00	2.00–3.20	–	–	–	–
Trend in contribution ceiling in %	–	–	2.00	2.00	–	–
Remuneration growth in %	–	–	1.40–3.00	1.06–3.00	–	–
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 0.44 % (previous year: 0.58 %) and 1.77 % (previous year: 2.16 %). Price increases of 3.02 % (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.

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 spot mid 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 one Norwegian permanent establishment 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 establishment 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 2020 financial year are shown in a separate overview (movements in non-current assets) in the notes on the financial statements.

Financial assets include individual items which are shown with a carrying amount of kEUR 67,546, but for which the fair value as of the reporting date amounted to kEUR 60,862. 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. 2020	As of 31 Dec. 2019
Raw materials and supplies incl. nuclear fuel rods	202,732	219,959
Unfinished products, unfinished services	12,689	15,513
Finished products and goods	34,004	32,193
Advance payments	1	54
	249,426	267,719

Of raw materials and supplies, kEUR 13,735 related to nuclear fuel rods (previous year: kEUR 14,559).



3. Receivables and other assets

in kEUR	As of 31 Dec. 2020	thereof remaining term > 1 year	As of 31 Dec. 2019	thereof remaining term > 1 year
Trade accounts receivable	684,695	709	813,220	788
Accounts due from affiliated companies	226,215	0	99,140	0
Accounts due from other companies in which participating interests are held	23,314	0	32,226	0
Receivables due from the shareholder	24,815	0	0	0
Other assets	267,013	11,144	503,098	18,006
	1,226,052	11,853	1,447,684	18,794

Accounts due from affiliated companies include loans of kEUR 210,100. 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 98,324 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 2021 as well as construction cost grants. A discount on issued debt of kEUR 1,117 (previous year: kEUR 1,295) 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 2020 financial year, a positive difference of kEUR 15,299 by which plan assets exceeded pension liabilities was calculated overall. The amortised cost of the assets amounted to kEUR 24,033, the fair value of the cover assets eligible for offsetting stood at kEUR 25,486, and the settlement amount for the offset liabilities came to kEUR 10,187. In the previous year, the cover assets for semi-retirement obligations were partly reported under securities held as fixed assets (previous year: kEUR 25,448) and cash and cash equivalents (previous year: kEUR 1,224).

Interest expenses from the valuation of pension liabilities amounted to kEUR 19. Income from assets eligible for offsetting came to kEUR 245.



8. Shareholders' equity

in kEUR	As of 31 Dec. 2020	As of 31 Dec. 2019
Subscribed capital	485,000	485,000
Additional paid-in capital	5,580,503	5,534,912
Retained earnings	-664,400	-550,063
Difference in shareholders' equity from currency translation	-47,586	20,691
Minority interests	147,489	187,631
	5,501,006	5,678,171

The increase in additional paid-in capital was mainly due to contributions of kEUR 45,591 paid 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 loss of kEUR 114,337 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 until 2009. The capital grants of 2010 et seq. are 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. 2020	As of 31 Dec. 2019
Pension provisions	758,356	775,691
Tax provisions	193,568	199,439
Provisions for disposal for nuclear power operations	407,821	392,530
thereof post-shutdown and residual operation	172,329	164,991
thereof phasing-out	108,921	105,213
thereof residue and waste management	126,571	122,326
Other accruals and provisions	783,638	944,630
	2,143,383	2,312,290

Pursuant to Section 246 (2) sentence 2 HGB, the reinsurance cover for pension provisions, which is excluded from all other creditors' recourse and serves exclusively to satisfy pension liabilities, is offset with these liabilities. The amortised costs of the assets amounted to kEUR 14,575, the fair value of the covered assets eligible for offsetting stood at kEUR 14,000, and the settlement amount for the offset liabilities came to kEUR 32,926. The offsetting of assets thus resulted in pension provisions of kEUR 18,926.



Interest expenses from the valuation of pension liabilities amounted to kEUR 303. Income from assets eligible for offsetting came to kEUR 103.

Tax provisions mainly comprised corporation tax, including solidarity surcharge, and the trade income 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 239,380), personnel obligations (kEUR 130,819), and contingent losses (kEUR 105,974).

12. Liabilities

in kEUR	As of 31 Dec. 2020	thereof remaining term up to 1 year	thereof remaining term 1-5 years	thereof remaining term > 5 years	As of 31 Dec. 2019	thereof remaining term up to 1 year	thereof remaining term 1-5 years	thereof remaining term > 5 years
Bank borrowings	2,041,768	279,462	1,371,569	390,737	2,112,831	257,784	1,201,984	653,063
Advance payments received	24,554	24,554	0	0	27,960	27,960	0	0
Trade accounts payable	374,583	372,302	2,281	0	395,308	395,185	123	0
Accounts due to affiliated companies	2,863	2,863	0	0	3,313	3,313	0	0
Accounts due to other companies in which participating interests are held	5	5	0	0	2,688	2,688	0	0
Liabilities due to the shareholder	0	0	0	0	27,529	27,529	0	0
Other liabilities	296,560	257,767	19,907	18,886	242,251	176,048	47,773	18,430
thereof: for taxes	32,615	31,349	1,266	0	28,177	28,177	0	0
thereof: for social security	87	87	0	0	88	88	0	0
	2,740,333	936,953	1,393,757	409,623	2,811,880	890,507	1,249,880	671,493

All liabilities are unsecured. Accounts due to affiliated companies and to other companies in which participating interests are held related to trade accounts payable.

As offsetting is permissible, receivables due from the shareholder were offset against liabilities of kEUR 98,324 due to the shareholder.

On the reporting date, Stadtwerke München GmbH had unused credit lines totalling kEUR 850,244. Thereof, kEUR 55,900 can be used as both cash loans or sureties and kEUR 84,824 as sureties only. Out of this total, kEUR 41,475 were drawn as sureties only and kEUR 3,463 were drawn as credit lines that can be used as both cash loans and sureties on the reporting date. Credit lines with a total volume of kEUR 500,000 had a maximum maturity until April 2025.

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. Revenues

Revenues can be broken down as follows:

in kEUR	2020	2019
Electricity	2,957,455	2,918,505
Electricity tax	-98,312	-106,766
Electricity, excluding electricity tax	2,859,143	2,811,739
Natural gas	3,123,544	6,325,704
Energy tax	-101,989	-100,555
Natural gas, excluding energy tax	3,021,555	6,225,149
District Heating	351,199	396,454
Water	172,354	169,457
Public Transport	438,799	563,184
Public Pools	9,303	20,099
Telecommunications	271,446	259,373
Other revenues	359,611	265,756
	7,483,410	10,711,211

16. Other income

Other operating income included income from foreign currency translation of kEUR 20,838 (previous year: kEUR 22,618), income attributable to other periods from the reversal of provisions of kEUR 27,914, and income attributable to other periods from asset disposal of kEUR 21,329.

Other operating income included partial payments of kEUR 139,624 from the rescue package for local public transport companies.

17. Cost of materials

in kEUR	2020	2019
Cost of raw materials and supplies and for purchased products	4,911,699	8,053,900
Costs of purchased services	789,619	715,608
	5,701,318	8,769,508

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	2020	2019
Wages and salaries	634,837	589,133
Social security, pension and other benefit costs	156,783	151,284
thereof: for pensions	32,614	40,269
	791,620	740,417

On average, 10,777 persons were employed in the Group at the fully consolidated companies during the 2020 financial year (previous year: 10,166). This figure can be subdivided into 10,004 employees (previous year: 9,444), 455 trainees (previous year: 428), 282 temporary staff (previous year: 257), and 36 seasonal workers (previous year: 37).

At the proportionately consolidated companies, 502 staff members were employed (previous year: 492). This figure can be subdivided into 462 employees (previous year: 449), 17 trainees (previous year: 17), and 23 temporary staff and seasonal workers (previous year: 26).

If they fulfil certain requirements, employees of Stadtwerke München GmbH and some of its subsidiaries are members of Bayerische Versorgungskammer, the complementary pension fund of the Bavarian municipalities. The contributions to this pension fund, which were to some extent posted in wages and salaries in previous years, were allocated to the "social security, pension and other benefit costs" item in the 2020 financial year. The amounts posted for previous years have been adjusted accordingly.

19. Depreciation and amortisation

in kEUR	2020	2019
Depreciation and amortisation	497,056	522,219
less the depreciation allowance adjustment of investment grants	6,251	6,528
	490,805	515,691

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

No unscheduled impairments were posted under depreciation and amortisation in the financial year under review (previous year: kEUR 46,275).

20. Other expenses

Other expenses included currency translation losses of kEUR 18,542 (previous year: kEUR 25,607) as well as expenses attributable to other periods from asset disposal of kEUR 11,621.

21. Financial result

in kEUR	2020	2019
Income from other investments	11,074	9,825
Income from profit transfer agreements	5,746	5,019
Income from other long-term securities and loans held as financial assets	33,530	52,919
Other interest and similar income	17,559	17,258
thereof: from discounting	10	38
Income from associated companies	-456,713	-174,548
Write-downs on financial assets and marketable securities held as current assets	-11,926	-6,874
Expenses arising from loss absorption	0	-152
Interest and similar expenses	-121,221	-165,743
thereof: from compounding	-62,734	-74,633
thereof: from interest on external loans	-46,514	-50,327
	-521,951	-262,296

22. Taxes

in kEUR	2020	2019
Income taxes	101,093	174,685
Deferred taxes	-6,487	-990
	94,606	173,695
Other taxes	11,604	16,399
	106,210	190,094

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 4,955 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 13,488 was attributable to proportionately consolidated companies (previous year: kEUR 15,029).

Information concerning proportionately consolidated companies (pro-rata figures)

in kEUR	Long-term	Short-term
Assets	918,591	120,096
Liabilities	132,456	87,950

in kEUR	Operating	Other
Costs	786,242	30,720
Income	918,542	7,026

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 dollar 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 2020 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 2020 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, 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 in kEUR
Electricity [TWh]	20.1	257,841
Gas [TWh]	102.9	358,721
Oil [kt]	30.8	1,554
Diesel [kt]	10.3	29

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 six-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 2031. 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	370,400	0	-23,851
Index-related transactions	1,553	369	0
Other transactions	65,336	2,096	-1,362
Total	437,289	2,465	-25,213

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 2020, a provision for valuation units totalling kEUR 397 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	365,862	603	-58,991
Currency-related transactions	294,510	10,916	-884
Other transactions	162,287	22,377	-8,154
Total	822,659	33,896	-68,029

The derivative financial instruments comprised the following types:

in kEUR	Nominal value	Derivatives with positive fair value	Derivatives with negative fair value
Options	108,000	0	-22,015
Swaps	552,372	11,519	-37,860
Forward/future	162,287	22,377	-8,154
Total	822,659	33,896	-68,029

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 78,852 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 German Capital Investment Code (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 2020:

in kEUR		Value pursuant to Section 36 German Capital Investment Code (KAGB)	Market value less carrying amount	Dividend payout in FY 2020
Security	Carrying amount			
Master funds	1,083,873	1,241,702	157,829	1,129

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 2020, the salary total that is relevant for levy purposes was kEUR 383,830.
- ▶ The order commitments in the Group amount to a total of kEUR 542,923. Of this amount, kEUR 7,675 is attributable to companies included on a proportional basis.
- ▶ Other financial obligations in the amount of kEUR 2,129,184 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 1,317,444 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	550,013

One subsidiary had issued five letters of comfort, with a volume of around kEUR 3,013 as of the reporting date, to counterparties of the trading subsidiary Bayerngas Energy GmbH.

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 2020 financial year amounted to kEUR 1,698 (previous year: kEUR 1,639). The amount paid to former Management Board members (retirement benefits and benefits for surviving dependants) was kEUR 1,036 (previous year: kEUR 1,041). Provisions of kEUR 15,876 (previous year: kEUR 17,077) had been set aside for pension obligations due to former Management Board members.

The emoluments paid to the Supervisory Board amounted to kEUR 68 (previous year: kEUR 56) in the 2020 financial year.

Auditor's fee

Of the total fee of kEUR 1,051 charged by the auditor of the consolidated financial statements for the financial year under review, kEUR 567 related to work performed in the auditing of the financial statements, kEUR 32 to other attestation services, kEUR 321 to tax consulting services, and kEUR 131 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.



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

Stephanie Jacobs, Professional City Councillor (until 14 September 2020)

Simone Burger, sociologist, Honorary City Councillor

Mona Fuchs, Honorary City Councillor (since 13 May 2020)

Dominik Krause, physicist, Honorary City Councillor (since 13 May 2020)

Sabine Krieger, environmental journalist, Honorary City Councillor (since 13 May 2020)

Manuel Pretzl, Director of the Hunting and Fishing Museum, Honorary City Councillor (since 13 May 2020)

Prof Dr Hans Theiss, medical doctor, Honorary City Councillor

Richard Quaas, publisher, Honorary City Councillor (until 13 May 2020)

Jens Röver, Honorary City Councillor (until 13 May 2020)

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, 26 March 2021

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 2020

in kEUR	Cost					As of 31 Dec. 2020
	As of 1 Jan. 2020	Currency translation differences	Additions	Disposals	Transfers (+/-)	
I. Intangible assets						
1. Purchased trademarks, patents, licences and similar rights	249,280	0	11,181	2,737	17,156	274,880
2. Goodwill	162,651	0	5,263	0	0	167,914
3. Advance payments	790	0	3,960	0	-740	4,010
	412,721	0	20,404	2,737	16,416	446,804
II. Property, plant, and equipment						
1. Land, leasehold rights and buildings including buildings on non-owned land	2,431,774	0	10,222	6,211	10,255	2,446,040
2. Generation, production and sourcing installations	4,421,830	-36,092	2,702	8,091	21,714	4,402,063
3. Distribution installations	5,180,030	0	86,361	46,662	78,524	5,298,253
4. Track, line equipment and safety equipment	593,362	0	334	1,969	5,159	596,886
5. Rolling stock for passenger services	861,980	0	60,393	68,045	70,604	924,932
6. Other technical equipment, plant and machinery	740,001	0	32,052	3,649	11,091	779,495
7. Operational and office equipment	346,348	0	58,675	18,377	14,179	400,825
8. Advance payments and construction in progress	1,164,984	0	848,929	621	-227,942	1,785,350
	15,740,309	-36,092	1,099,668	153,625	-16,416	16,633,844
III. Financial assets						
1. Shares in affiliated companies	188,881	0	57,469	21,122	0	225,228
2. Loans due from affiliated companies	16,237	0	0	2,500	0	13,737
3. Equity investments in associated companies	1,311,581	0	3,922	0	0	1,315,503
4. Other investments	78,257	50	10,233	488	0	88,052
5. Loans due from companies in which participating interests are held	473,291	-481	17,319	223,597	0	266,532
6. Securities held as fixed assets	1,280,566	0	57,269	134,986	0	1,202,849
7. Other loans	31,158	0	0	2,582	0	28,576
	3,379,971	-431	146,212	385,275	0	3,140,477
Total	19,533,001	-36,523	1,266,284	541,637	0	20,221,125



Cumulative depreciation/amortisation						Carrying amounts		
As of 1 Jan. 2020	Currency translation differences	Additions	Disposals	Write-ups	Transfers (+/-)	As of 31 Dec. 2020	As of 31 Dec. 2020	As of 31 Dec. 2019
221,803	0	16,288	2,740	0	-6	235,345	39,535	27,477
110,615	0	4,637	0	0	0	115,252	52,662	52,036
0	0	0	0	0	0	0	4,010	790
332,418	0	20,925	2,740	0	-6	350,597	96,207	80,303
1,465,040	0	52,098	2,875	0	26	1,514,289	931,751	966,734
2,589,070	-9,430	185,259	178	0	0	2,764,721	1,637,342	1,832,760
4,026,796	0	102,971	37,037	0	1	4,092,731	1,205,522	1,153,234
473,958	0	13,189	1,938	0	154	485,363	111,523	119,404
612,867	0	32,867	41,460	0	0	604,274	320,658	249,113
489,252	0	46,108	1,835	0	0	533,525	245,970	250,749
255,016	0	43,586	16,715	0	-175	281,712	119,113	91,332
0	0	0	0	0	0	0	1,785,350	1,164,984
9,911,999	-9,430	476,078	102,038	0	6	10,276,615	6,357,229	5,828,310
21,401	0	10,845	0	0	0	32,246	192,982	167,480
0	0	0	0	0	0	0	13,737	16,237
275,057	0	551,280	0	54,499	0	771,838	543,665	1,036,524
58	0	0	0	0	0	58	87,994	78,199
180,386	0	0	0	0	0	180,386	86,146	292,905
9,953	0	0	237	0	0	9,716	1,193,133	1,270,613
0	0	0	0	0	0	0	28,576	31,158
486,855	0	562,125	237	54,499	0	994,244	2,146,233	2,893,116
10,731,272	-9,430	1,059,128	105,015	54,499	0	11,621,456	8,599,669	8,801,729



Affiliated companies and major equity participations

(in accordance with Section 313 (2) HGB)

Company and registered office	Share capital 31 Dec. 2020		Year	Share- holders' equity	Last annual net income
	%	in kEUR		in kEUR	in kEUR
Affiliated companies (fully consolidated)					
LHM Services GmbH, Munich	100	25	2020	25	0 ¹⁾
Münchner Verkehrsgesellschaft mbH (MVG), Munich	100	50,000	2020	50,110	0 ¹⁾
SWM Gasbeteiligungs GmbH, Munich	100	25	2019	1,125,885	8,208
<i>SWM Bayerische E&P Beteiligungsgesellschaft mbH, Munich</i>	<i>100</i>	<i>1,000</i>	<i>2019</i>	<i>788,888</i>	<i>-395</i>
SWM Infrastruktur GmbH & Co. KG, Munich	100	10,300	2020	609,603	0 ¹⁾
SWM Infrastruktur Verwaltungs GmbH, Munich	100	25	2020	25	0 ¹⁾
SWM Kundenservice GmbH, Munich	100	100	2020	130	26 ¹⁾
SWM Services GmbH, Munich	100	10,000	2020	10,248	78 ¹⁾
<i>M-net Telekommunikations GmbH, Munich</i>	<i>63.84</i>	<i>1,594</i>	<i>2019</i>	<i>50,390</i>	<i>112</i>
SWM Versorgungs GmbH, Munich	100	10,000	2020	10,019	4 ¹⁾
SWM Erneuerbare Energien Norwegen GmbH, Munich	100	25	2019	109,080	-16
SWM Erneuerbare Energien Skandinavien GmbH & Co. KG, Munich	100	5	2019	91,559	-24
<i>Austri Raskiftet DA, Søre Osen</i>	<i>60</i>	<i>85,112⁵¹⁾</i>	<i>2019</i>	<i>145,785</i>	<i>4,270</i>
SWM UK Wind One Limited, Tunbridge Wells	100	377,023 ³¹⁾	2019	431,554 ³¹⁾	17,292 ³¹⁾
<i>GyM Offshore One Limited, Tunbridge Wells</i>	<i>100</i>	<i>186,271³¹⁾</i>	<i>2019</i>	<i>216,049³¹⁾</i>	<i>9,120³¹⁾</i>
<i>GyM Offshore Two Limited, Tunbridge Wells</i>	<i>100</i>	<i>124,243³¹⁾</i>	<i>2019</i>	<i>143,709³¹⁾</i>	<i>5,624³¹⁾</i>
<i>GyM Offshore Three Limited, Tunbridge Wells</i>	<i>100</i>	<i>62,115³¹⁾</i>	<i>2019</i>	<i>71,792³¹⁾</i>	<i>2,790³¹⁾</i>
Sidensjö Vindkraft AB, Gothenborg	100	11	2019	18,340	-15,749
<i>Sidensjö Vindkraft Elnät AB, Gothenborg</i>	<i>100</i>	<i>5</i>	<i>2019</i>	<i>12,887</i>	<i>0¹⁾</i>
<i>Midgard Vind Holding AS, Trondheim</i>	<i>70</i>	<i>211</i>	<i>2019</i>	<i>160,475</i>	<i>2,412</i>
<i>Frøya Vind AS, Trondheim</i>	<i>100</i>	<i>30</i>	<i>2019</i>	<i>7,152</i>	<i>-259</i>
<i>Hundhammerfjellet AS, Trondheim</i>	<i>100</i>	<i>30</i>	<i>2019</i>	<i>7,270</i>	<i>-86</i>
<i>Midgard Vind AS, Trondheim</i>	<i>100</i>	<i>3</i>	<i>2019</i>	<i>31,780</i>	<i>4,172</i>
<i>Stokkfjellet AS, Trondheim</i>	<i>100</i>	<i>30</i>	<i>2019</i>	<i>9,718</i>	<i>-278</i>
<i>Sørmarkfjellet AS, Trondheim</i>	<i>100</i>	<i>30</i>	<i>2019</i>	<i>12,926</i>	<i>-371</i>
<i>Ytre Vikna 1 AS, Trondheim</i>	<i>100</i>	<i>3</i>	<i>2019</i>	<i>18,199</i>	<i>1,382</i>
Bayerngas GmbH, Munich	56.3	51,062	2019	243,106	25,448
<i>bayernets GmbH, Munich</i>	<i>91.49</i>	<i>1,548</i>	<i>2019</i>	<i>150,211</i>	<i>0¹⁾</i>
<i>Bayerngas Energy GmbH, Munich</i>	<i>100</i>	<i>22,200</i>	<i>2019</i>	<i>25,900</i>	<i>0¹⁾</i>
<i>bayernugs GmbH, Munich</i>	<i>100</i>	<i>100</i>	<i>2019</i>	<i>100</i>	<i>0¹⁾</i>



Company and registered office	Share capital 31 Dec. 2020		Year	Share- holders' equity	Last annual net income
	%	in kEUR		in kEUR	in kEUR
Affiliated companies (unconsolidated)					
Bioenergie Taufkirchen GmbH & Co. KG, Taufkirchen	100	100	2019	25,212	77
eta Energieberatung GmbH, Pfaffenhofen an der Ilm	100	25	2019	2,851	0 ¹⁾
Hanse Windkraft GmbH, Hamburg	100	25	2019	2,373	0 ¹⁾
SWM 50 MW Windpark Portfolio GmbH & Co. KG, Bremen	100	3,950	2019	9,307	1,394
<i>Lockstedt-Siestedt II Netzanschluss GbR, Bremen</i>	<i>81.82</i>	<i>77</i>	<i>2019</i>	<i>84</i>	<i>1</i>
SWM Erneuerbare Energien Region Verwaltungs GmbH, Munich	100	25	2019	20	1
SWM Erneuerbare Energien Verwaltungsgesellschaft mbH, Munich	100	25	2019	234	209
SWM Wind Onshore Frankreich SAS, Nîmes	100	18,100	2019	18,646	850
Windfarm Polska III sp. z o.o., Koszalin	100	50 ⁴⁾	2019	-2,771 ⁴⁾	-1,150 ⁴⁾
Portal Munich Betriebs-GmbH & Co. KG, Munich	97	6,400	2019	2,550	-409
Gasversorgung Germering GmbH, Germering	90	45	2019	4,030	973
SWM Wind Havelland Holding GmbH & Co. KG, Munich	75	8	2019	78,151	2,502
<i>SWM Wind Havelland Umspannwerk GmbH, Bremen</i>	<i>100</i>	<i>26</i>	<i>2019</i>	<i>-557</i>	<i>2</i>
<i>SWM Wind Havelland Umspannwerk Holdinggesellschaft Wustermark GmbH & Co. KG, Bremen</i>	<i>100</i>	<i>5</i>	<i>2019</i>	<i>958</i>	<i>3</i>
<i>SWM Windpark Havelland GmbH & Co. KG, Bremen</i>	<i>100</i>	<i>10,300</i>	<i>2019</i>	<i>10,300</i>	<i>7,533</i>
KommEnergie Gasnetz GmbH & Co. KG, Eichenau	100	20	x	x	x
KommEnergie Gasnetz Verwaltungs GmbH, Eichenau	100	25	x	x	x
Praterkraftwerk GmbH, Munich	70	35	2019	3,099	77
Austri Kjølberget DA, Søre Osen	60	41,305 ⁵⁾	2019	46,262	-280
Münchener U-Bahn-Bewachungsgesellschaft mbH, Munich	51	13	2019	22	-6
Portal Munich Verwaltungsgesellschaft mbH, Munich	51	15	2019	52	2
Joint ventures (consolidated pro rata)					
Energie Südbayern GmbH, Munich	50	15,400	2019	138,470	41,828
<i>Energienetze Bayern GmbH & Co. KG, Munich</i>	<i>50</i>	<i>17</i>	<i>2019</i>	<i>166,721</i>	<i>21,612</i>
<i>Energienetze Bayern Management GmbH, Munich</i>	<i>50</i>	<i>13</i>	<i>2019</i>	<i>32</i>	<i>-23</i>
DanTysk Sandbank Offshore Wind GmbH & Co. KG, Hamburg	49	13	2019	1,534,503	231,185
Marquesado Solar, S.L., Aldeire-La Calahorra	48.91	32	2019	111,100	8,133
Participations in associated companies (consolidated at equity)					
<i>bayernServices GmbH, Munich</i>	<i>50</i>	<i>100</i>	<i>2019</i>	<i>216</i>	<i>93</i>
<i>wpd europe GmbH, Bremen</i>	<i>33</i>	<i>62,700</i>	<i>2019</i>	<i>313,095</i>	<i>-369</i>
<i>Spirit Energy Limited, Staines-upon-Thames</i>	<i>31</i>	<i>5,921³⁾</i>	<i>2019</i>	<i>2,107,000²⁾</i>	<i>-888,000²⁾</i>
Global Tech I Offshore Wind GmbH, Hamburg	24.9	249	2019	-209,608	-9,069



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Appendix 2 to the Notes

Company and registered office	Share capital 31 Dec. 2020		Year	Share- holders' equity	Last annual net income
	%	in kEUR		in kEUR	in kEUR
Major other participations					
GVH Gasversorgung Haar GmbH, Haar	50	153	2019	3,633	520
RegioNetzMunich GmbH & Co. KG, Garching	50	5	2019	11,371	1,574
RegioNetzMunich Verwaltungs GmbH, Garching	50	13	2019	27	1
<i>UWB Umspannwerk Betriebsgesellschaft Etzin mbH, Halstenbek</i>	<i>50</i>	<i>13</i>	<i>2019</i>	<i>-106</i>	<i>-16</i>
DanTysk Sandbank Offshore Wind Verwaltungs GmbH, Hamburg	49	13	2019	30	1
Gasversorgung Unterschleißheim GmbH & Co. KG, Unterschleißheim	49	10	2019	1,070	512
Gasversorgung Unterschleißheim Verwaltungs GmbH, Unterschleißheim	49	12	2019	26	0
Gehrlicher GmbH & Co. Solarpark Helmeringen KG, Sulzemoos	49	1,470	2019	3,332	1,543
GVI – Gasversorgung Ismaning GmbH, Ismaning	49	25	2019	2,527	343
Münchener Linien GmbH & Co. KG, Munich	49	76	2019	155	763
Stadtwerke Olching Gasnetz GmbH & Co. KG, Olching	49	10	2019	1,029	411
Stadtwerke Olching Gasnetz Verwaltungs GmbH, Olching	49	12	2019	28	2
<i>TrønderEnergi Vind AS, Trondheim</i>	<i>49</i>	<i>147²⁾</i>	<i>2019</i>	<i>16,679²⁾</i>	<i>-13,942²⁾</i>
unlimited energy GmbH, Schönefeld	49	13	2019	567	-996
VVG Verkehrsverwaltungs GmbH, Munich	49	12	2019	57	6
Gehrlicher GmbH & Co. Solarpark Rothenburg KG, Sulzemoos	40	6,000	2019	12,008	2,659
<i>Windparks Gimweiler & Mosberg Infrastruktur GbR, Bremen</i>	<i>33.33</i>	<i>20</i>	<i>2019</i>	<i>59</i>	<i>1</i>
<i>Awel y Môr Offshore Windfarm Ltd., Swindon</i>	<i>30</i>	<i>3,871³⁾</i>	<i>x</i>	<i>x</i>	<i>x</i>
<i>Gwynt y Môr Offshore Windfarm Limited, Swindon</i>	<i>30</i>	<i>0³⁾</i>	<i>2019</i>	<i>-2,699³⁾</i>	<i>-910³⁾</i>
Mobility Inside Verwaltung GmbH, Frankfurt on the Main	25.02	13	x	x	x
Gemeinschaftskernkraftwerk Isar 2 GmbH, Essenbach	25	13	2019	54	3
Mobility Inside Holding GmbH & Co. KG, Frankfurt on the Main	24.26	875	x	x	x

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. 2020: EUR 1 = NOK 10.49690/2020 annual average exchange rate: EUR 1 = NOK 10.72954
Exchange rate at 31 Dec. 2019: EUR 1 = NOK 9.8596/2019 annual average exchange rate: EUR 1 = NOK 9.8493

³⁾ Exception: in kGBP

Exchange rate at 31 Dec. 2020: EUR 1 = GBP 0.89555/2020 annual average exchange rate: EUR 1 = GBP 0.88939

Exchange rate at 31 Dec. 2019: EUR 1 = GBP 0.8466/2019 annual average exchange rate: EUR 1 = GBP 0.8773

⁴⁾ Exception: in kPLN

Exchange rate at 31 Dec. 2020: EUR 1 = PLN 4.56780/2020 annual average exchange rate: EUR 1 = PLN 4.44398

Exchange rate at 31 Dec. 2019: EUR 1 = PLN 4.2564/2019 annual average exchange rate: EUR 1 = PLN 4.2969

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 2020



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 2020, and the consolidated income statement for the fiscal year from 1 January to 31 December 2020, 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 2020. In addition, we have audited the group management report of Stadtwerke München GmbH for the fiscal year from 1 January to 31 December 2020.

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 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020 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.

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 engagement. 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 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Kuhn
Wirtschaftsprüfer
[German Public Auditor]

Hofmann
Wirtschaftsprüfer
[German Public Auditor]



Report of the Supervisory Board

During the 2020 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. 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 2020. Its Preparatory Committee, responsible for preparing Supervisory Board meetings, convened in four meetings, the Personnel Committee met once in 2020.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, the independent auditors appointed by decision of the Supervisory Board on 28 April 2020, 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 2020 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 30 April 2021. 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 2020 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 2020 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 2020.

Munich, 30 April 2021

The Supervisory Board

Dieter Reiter
Chairman



Date of publication

April 2021

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Midgard Vind Holding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Midgard Vind Holding AS, which comprise the balance sheet as at 31 December 2020, the income statement and statements 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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 Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 on the other information obtained prior to the date of the auditor's report, 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 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 law, regulations and generally accepted auditing principles in Norway, including 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 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Trondheim, 15 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Amund P. Amundsen
State Authorised Public Accountant (Norway)

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Amund Petter Amundsen

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5992-4-3001996

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Skatteetaten

Vår dato
07.10.2019

Din dato
09.09.2019

Saksbehandler
Bente Halvorsen

800 80 000
Skatteetaten.no

Din referanse
AR335220265

Postadresse
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.