Im Hinblick auf die Anforderungen von § 322 Abs. 7 HGB tritt die elektronische Fassung nicht an die Stelle, sondern neben die Papierfassung im Sinne einer elektronischen Kopie.

Considering the requirements of Sec. 322 (7) HGB, the electronic version does not replace the hardcopy but is prepared in addition to it and is an electronic copy thereof.

EEW Holding GmbH
Helmstedt

Short-form audit report
Consolidated financial statements and group management report
31 December 2019

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Courtesy Translation

The English language report is only a courtesy translation attached to the German language report. For the interpretation of the arrangements made the German text shall prevail.

Building a better working world

Translation from the German language

Table of contents

Note:

We have issued the audit opinion presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use."

If an electronic version of this document is used for disclosure in the *Bundesanzeiger* [German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the audit opinion or the report thereon are intended for this purpose.

Independent auditor's report

To EEW Holding GmbH

Opinions

We have audited the consolidated financial statements of EEW Holding GmbH, Helmstedt, Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of EEW Holding for the fiscal year from 1 January 2019 to 31 December 2019.

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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, 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, 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 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 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they 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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- 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.

Hanover, 16 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Eickhoff	Krone
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2019

EEW Holding GmbH
Helmstedt

Table of contents

PART 1

FINANCIAL STATEMENTS

1. Consolidated income statement

Figures in EUR k		2019	2018
Revenue from contracts with customers	5.1	593,078	552,831
Own work capitalized		1,524	782
Other operating income	5.2	14,765	19,248
Cost of materials	5.3		
Cost of raw materials, consumables and supplies and of purchased merchandise		63,871	58,524
Cost of purchased services		173,889	174,119
Total cost of materials		237,760	232,643
Personnel expenses	5.4		
Wages and salaries		77,970	74,011
Social security costs		13,752	13,360
Pension costs		3,654	3,771
Other personnel expenses		71	23
Total personnel expenses		95,447	91,165
Amortization, depreciation and impairment			
Amortization and impairment of intangible assets		33,771	34,178
Depreciation and impairment of property, plant and equipment		62,203	55,806
Total amortization, depreciation and impairment		95,974	89,984

Figures in EUR k		2019	2018
Other operating expenses	5.5	56,384	47,960
EBIT		123,802	111,109
Interest and similar income		8,953	11,106
Interest and similar expenses		7,444	7,175
Share of profits of associates and joint ventures		1,129	1,603
Financial result	5.6	2,638	5,534
Earnings before taxes		126,440	116,643
Income taxes	5.7		
Current taxes		-36,599	-43,703
Deferred taxes		5,157	4,848
Total income taxes		-31,442	-38,855
Consolidated profit for the period		94,998	77,788
– thereof non-controlling interests		11,508	9,871
– thereof shareholders of EEW Holding GmbH		83,490	67,917

2. Consolidated statement of comprehensive income

Figures in EUR k	2019	2018
Consolidated profit for the period	94,998	77,788
Items that will not subsequently be reclassified to profit or loss		
Actuarial gains/losses	-24,738	7,667
thereof income tax	7,446	-2,350
Changes in the fair value of equity instruments	9,354	-8,078
Items that will subsequently be reclassified to profit or loss under certain conditions		
Exchange differences from the translation of foreign operations	4	-18
– thereof unrealized change	4	-18
Other comprehensive income	-7,934	-2,779
Total comprehensive income	87,064	75,009
– thereof non-controlling interests	11,300	9,942
– thereof shareholders of EEW Holding GmbH	75,764	65,067

3. Consolidated statement of financial position (assets)

ASSETS Figures in EUR k		2019	2018
Non-current assets			
Intangible assets	6.1	86,877	118,593
Property, plant and equipment	6.1	696,867	659,625
Financial assets	6.2	36,992	34,677
Receivables and other assets			
Finance lease receivables (lessor)	6.11	82,675	91,449
Other receivables and other assets		6,281	18,360
Total receivables and other assets	6.4	88,956	109,809
Deferred tax assets	6.5	34,652	49,031
Total non-current assets		944,344	971,735
Current assets			
Financial assets	6.2	0	432
Inventories	6.3	24,367	22,818
Receivables and other assets			
Trade receivables and contract assets		85,513	90,868
Claims to refund of income taxes		7,040	12,686
Finance lease receivables (lessor)	6.11	8,774	7,939
Other receivables and other assets		49,316	8,122
Total receivables and other assets	6.4	150,643	119,615
Cash and cash equivalents		152,816	123,525
Total current assets		327,826	266,390
Total assets		1,272,170	1,238,125

4. Consolidated statement of financial position (equity and liabilities)

EQUITY AND LIABILITIES Figures in EUR k		2019	2018
Equity			
Subscribed capital	6.6	1,000	1,000
Capital reserves	6.6	275,900	273,034
Other revenue reserves	6.6	61,768	42,893
Profit or loss attributable to controlling interests	6.6	83,490	67,917
Equity attributable to the shareholders of EEW Holding GmbH		422,158	384,844
Non-controlling interests	3	62,785	64,735
Total equity		484,943	449,579
Non-current liabilities			
Pension provisions	6.7	97,912	71,231
Other provisions	6.8	34,000	31,441
Liabilities to banks	6.9	406,491	410,997
Lease liabilities	6.11	9,812	3,788
Other financial liabilities	6.9	116	107
Investment grants		4,611	4,611
Other liabilities	6.9	1,442	6,196
Deferred tax liabilities	6.5	94,864	121,847
Total non-current liabilities		649,248	650,218
Current liabilities			
Tax provisions		1,045	672
Other provisions	6.8	13,104	9,793
Liabilities to banks	6.9	6,052	9,861
Lease liabilities	6.11	2,379	662
Investment grants		0	289
Trade payables	6.9	47,803	39,138
Income tax liabilities		41,289	50,051
Other liabilities	6.9	26,307	27,862
Total current liabilities		137,979	138,328
Total equity and liabilities		1,272,170	1,238,125

5. Consolidated statement of cash flows

Figures in EUR k			2019	2018
	Profit for the period		94,998	77,788
+/-	Tax expense/income	5	31,442	38,855
-	Investment result		-1,129	-1,603
-	Interest income		-8,953	-11,106
+	Interest expenses		7,444	7,175
+	Amortization, depreciation and impairment	6.1	95,974	89,984
+/-	Increase/decrease in pension provisions		8,151	-1,742
+/-	Increase/decrease in tax provisions		373	-1,273
+/-	Increase/decrease in other provisions		3,151	-911
+/-	Other non-cash expenses and income		-12,846	-2,458
+/-	Losses/income on disposals of property, plant and equipment		1,147	107
-/+	Increase/decrease in inventories		-1,549	214
-/+	Increase/decrease in trade receivables		5,355	-2,309
-/+	Increase/decrease in other assets and other receivables		-21,162	16,973
+/-	Increase/decrease in trade payables		8,665	11,610
+/-	Increase/decrease in other liabilities		-5,745	-15,548
+	Dividends received		1,129	1,603
+	Interest received		8,939	9,738
-	Interest paid		-5,809	-6,064
-	Income tax paid/refunded		-35,411	-42,223
	Cash flows from operating activities		174,164	168,810
+	Cash received from disposals of intangible assets	6.1	353	68
-	Cash paid for investments in intangible assets	6.1	-2,408	-1,375
+	Cash received from disposals of property, plant and equipment	6.1	148	426
-	Cash paid for investments in property, plant and equipment	6.1	-87,702	-60,514
+	Cash received from disposals of financial assets	6.2	7,449	464
	Cash flows from investing activities		-82,160	-60,931
+/-	Change in capital reserves		2,866	0
+	Cash received from short-term bank loans	6.4	0	209
-	Repayments of short-term borrowings		-3,809	-730
+	Cash received from long-term bank loans	7	9	7
-	Repayments of long-term borrowings	7	-4,750	-8,526
-	Cash outflow for the repayment of lease liabilities	7	-2,467	-634
+/-	Dividends paid (-) to the shareholder of the parent company		-41,400	-112,500
-	Dividends paid to non-controlling interests		-13,166	-14,090
	Cash flows from financing activities		-62,717	-136,264
	Change in cash and cash equivalents		29,287	-28,385
	Cash and cash equivalents at the beginning of the fiscal year		123,525	151,928
+/-	Change in cash and cash equivalents due to exchange rate changes		4	-18
	Cash and cash equivalents at end of the fiscal year		152,816	123,525

6. Consolidated statement of changes in equity

Figures in EUR k	Subscribed capital	Capital reserves	Net retained profit/other revenue reserves	Reserve for the currency translation of foreign companies
As of 1 Jan 2019	1,000	273,034	128,813	34
Consolidated profit for 2019	0	0	83,490	0
Other comprehensive income	0	0	0	4
Total comprehensive income	0	0	83,490	4
Dividends paid	0	0	-41,400	0
Capital contribution	0	2,866	0	0
Other reclassifications	0	0	84	0
As of 31 Dec 2019	1,000	275,900	170,987	38

Figures in EUR k	Subscribed capital	Capital reserves	Net retained profit/other revenue reserves	Reserve for the currency translation of foreign companies
As of 1 Jan 2018	1,000	273,034	223,891	52
Adjustments from the first-time application of IFRS 9	0	0	0	0
Adjusted balance as of 1 Jan 2018	1,000	273,034	223,891	52
Consolidated profit for 2018	0	0	67,917	0
Other comprehensive income	0	0	0	-18
Total comprehensive income	0	0	67,917	-18
Dividends paid	0	0	-162,500	0
Other reclassifications	0	0	-495	0
As of 31 Dec 2018	1,000	273,034	128,813	34

Reserve for actuarial gains and losses	Reserve for changes in the fair value of equity instruments	Equity of the shareholders of EEW Holding GmbH	Non-controlling interests	Consolidated equity
-16,365	-1,672	384,844	64,735	449,579
0	0	83,490	11,508	94,998
-17,051	9,322	-7,726	-208	-7,934
-17,051	9,322	75,764	11,300	87,064
0	0	-41,400	-13,166	-54,566
0	0	2,866	0	2,866
0	0	84	-84	0
-33,416	7,650	422,158	62,785	484,943

Reserve for actuarial gains and losses	Reserve for changes in the fair value of equity instruments	Equity of the shareholders of EEW Holding GmbH	Non-controlling interests	Consolidated equity
-21,582	0	476,395	68,365	544,760
0	6,377	6,377	23	6,400
-21,582	6,377	482,772	68,388	551,160
0	0	67,917	9,871	77,788
5,217	-8,049	-2,850	71	-2,779
5,217	-8,049	65,067	9,942	75,009
0	0	-162,500	-14,090	-176,590
0	0	-495	495	0
-16,365	-1,672	384,844	64,735	449,579

PART 2

NOTES TO THE FINANCIAL STATEMENTS

1. General information

EEW Holding GmbH (EEW Holding, HRB no. 204030) has its registered office in Helmstedt, Germany. The address of the Company's registered office is:

Schöninger Str. 2-3
38350 Helmstedt

The EEW Group designs, builds, and operates waste incineration facilities that generate electricity, district heating and process steam. In 2019, 13 out of 18 facilities were operated as independent businesses and five facilities were managed by EEW on the basis of long-term operational management agreements. The Company is the leading private-sector provider of waste incineration services on the German market with further operations in Luxembourg and the Netherlands.

The ultimate parent of EEW Holding GmbH is Beijing Enterprises Holdings Ltd., Hong Kong, China (BEHL), which as of 31 December 2019 holds 100% of the shares in EEW Holding, via Beijing Enterprises Holdings European Investment Management S.à r.l. Luxembourg (BEHEIM). The financial statements of BEHL are available on the Hong Kong Stock Exchange website (HKEXnews, Listed Company Information).

The consolidated financial statements for the fiscal year from 1 January 2019 through 31 December 2019 include the Company and its subsidiaries (EEW), whose fiscal years correspond to the calendar year.

The consolidated financial statements of EEW Holding and its subsidiaries were prepared in accordance with the International Accounting Standards Board's (IASB) International Financial Reporting Standards (IFRSs) and the IFRS Interpretations Committee's (IFRS IC) interpretations applicable and endorsed by the European Union as of the reporting date, and also in compliance with commercial law regulations applicable under Sec. 315e HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated financial statements were prepared in euros. Unless otherwise noted, the amounts are stated in thousands of euros (EUR k). The amounts are commercially rounded in each case.

The consolidated financial statements were prepared by the management board on 16 March 2020. The shareholders may amend the consolidated financial statements after release for publication.

2. Basis of preparation

The consolidated financial statements were prepared on depreciated cost basis. Some financial assets were measured at fair value through profit or loss. See our notes on financial instruments for further information.

Recognition of revenue and expenses

The consolidated income statement is prepared according to the nature of expense method.

<u>Revenue from contracts with customers</u>

Revenue from contracts with customers is recognized in accordance with IFRS 15, which provides that an entity shall recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled for the performance obligations assumed, i.e., in exchange for goods or services. This core principle is implemented using a five-step framework model:

1. Identify the contract(s) with a customer
2. Identify the separate performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations under the contract
5. Recognize the revenue upon fulfillment of the performance obligations by the entity

1. Identify the contract(s) with a customer

In identifying contracts, EEW also takes into consideration arrangements resulting from legal regulations.

2. Identify the separate performance obligations in the contract

As part of the second analysis step, it identifies EEW's contractual performance obligations, i.e., the promised goods and services, and examines them to identify whether they are capable of being distinct and are distinct within the context of the contract. If the promised goods or services are not distinct, they are combined with other goods or services until the Company identifies a bundle of goods or services that is distinct. As a rule, EEW acts as the principal.

Due to the large number of customer contracts with similar performance obligations, EEW defines portfolios of similar contract types. In addition, it takes into account criteria such as contractual term, customer group, etc.

Overview of the EEW contract portfolio		
Performance obligations	Contract types	Customer categories
Waste disposal	Waste contracts	Municipal
		Commercial
		Spot
		Imports
Sale of Energy	Energy contracts	Electricity
		Heat/steam
		Other
Operational management	Operational management agreements	

In the waste disposal category, similar contracts are combined into customer categories. Municipal and commercial contracts account for the largest contractual volume. Municipal contracts have terms of up to 35 years, while spot contracts have terms of less than 12 months. The performance obligation is fulfilled when the Company takes delivery of the waste at the energy from waste plant. A processing obligation for waste not yet processed on the reporting date is recognized under provisions.

In the sale of energy category, the Company distinguishes between electricity, heat and steam as well as other energy contracts. As a rule, long-term energy supply contracts are concluded for heat and steam and short-term contracts for electricity supply. The performance obligations under energy contracts consist of energy supply to customers. Energy is supplied over time. The volumes of supplied energy are determined using meters. For pricing arrangements based on annual volumes, the Company charges installment payments toward the final bill. Revenue that cannot be invoiced as of the reporting date is recognized as a contract asset.

In the operational management category, the performance obligation, i.e., the operation of an energy from waste plant on behalf of a third party, is satisfied over time. The contracts are long term. For pricing arrangements based on annual volumes, the Company charges installment payments toward the final bill. Contract assets are recognized if final billing of variable consideration has not taken place by the reporting date.

3. Determine the transaction price

EEW's customer contracts include fixed and variable consideration components. Variable consideration components are estimated on the basis of the expected value. There are no rights of return, licenses, significant financing components, non-cash consideration or consideration payable to a customer. The payment terms are customary for the industry.

4. Allocate the transaction price to the performance obligations under the contract

The customer contracts contain only one distinct performance obligation. As a result, no allocation of the transaction price takes place and revenue is recognized immediately upon performance.

5. Recognize the revenue upon fulfillment of the performance obligations by the entity

The right to consideration is established upon satisfaction of the performance obligations, i.e., the transfer of control over the provided services. For waste disposal, this takes place at a point in time. For sale of energy and operational management, the performance obligations are satisfied over time. No costs to obtain contracts are recognized as an asset due to their immateriality.

The contract analysis yielded the following results:

Performance obligation	Variable consideration	Significant payment terms
Waste disposal	None	• Payment terms customary in the industry • No financing component
Sale of Energy	Yes – distinct and determinable on a monthly basis	• Payment terms customary in the industry • No financing component
Operational management	Yes – distinct and determinable on a monthly basis	• Payment terms customary in the industry • No financing component

Interest income and expenses

Interest is recognized as an income or expense item in the period to which it relates using the effective interest method. Interest expenses incurred in connection with the acquisition or production of qualifying assets are recognized as assets if material.

Dividends

Dividends are recognized when the Group's right to receive the payment is established.

Intangible assets and property, plant and equipment

Non-current assets are measured at acquisition or production cost less accumulated amortization/depreciation. The residual carrying amounts and useful lives of each asset are reviewed at least at the end of every fiscal year. Intangible assets and property, plant and equipment are tested for impairment if events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Production costs comprise the full costs relating to production.

Property, plant and equipment and intangible assets have limited useful lives and are depreciated/amortized using the straight-line method over the following useful lives:

Intangible assets

Software and licenses	3 to 5 years
Customer-related intangible assets (agreements and similar)	up to 17 years
Property, plant and equipment	
Land	not depreciated
Buildings	13 to 50 years
Plant and machinery	3 to 25 years
Other equipment, furniture and fixtures	3 to 13 years

Investment subsidies and investment grants are not deducted from the acquisition or production cost; they are recognized as liabilities and released to income over the same period in which the subsidized asset is depreciated.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised, if material, and are amortized over the useful life of the facility. A qualifying asset is an asset that necessarily takes a substantial period of time to be prepared for its intended use or sale. Borrowing costs are calculated using a Group-wide borrowing rate.

Leases

Since 1 January 2019

Lease transactions are accounted for in accordance with IFRS 16 Leases. EEW concludes agreements both as lessor and as lessee.

Lessor

For lease transactions in which EEW is the lessor, a distinction is made between operating leases and financing leases. Leases are recognized as finance leases if the significant risks and rewards of the use of the leased asset are transferred to the contractual partner. This assessment involves an examination of the lease as pertains to the duration of the lease compared to the asset's economic life, the terms of purchase and renewal options and the degree of specialization of the leased asset.

For finance leases, the present value of the outstanding lease payments (fixed and variable payments pegged to an index or to a reference interest rate) including the exercise price for any bargain purchase option for the underlying asset of the lease and/or any unguaranteed residual value is recognized as a receivable. Payments by the lessee are treated as repayments plus interest income. The interest rate implicit in the lease is used for this purpose. Revenue is recognized using the effective interest method over the term of the lease.

The lessor receivables must be tested for impairment in accordance with the rules applicable to financial assets.

Lessee

For transactions in which EEW acts as the lessee, an asset is recognized for the right of use and a lease liability is recognized starting from the commencement date of the lease.

At the commencement date, the liability is recognized at the present value of the lease payments that have not yet been made (fixed and variable payments pegged to an index or to a reference interest rate) including the exercise price for any bargain purchase option for the underlying asset. The right-of-use asset is stated at the present value of the lease liability plus any lease payments made before commencement and initial direct costs and less any lease incentives received. EEW's incremental borrowing rate is regularly used as the discount rate.

Right-of-use assets are stated under property, plant and equipment.

The right-of-use asset is generally depreciated over the term of the lease. If a purchase option was included in measurement or if ownership of the asset is transferred to EEW at the end of the lease term, depreciation is charged over the economic life of the asset. The liability is measured using the effective interest method in subsequent periods.

The reassessment of the lease term to consider the exercise of purchase or renewal options previously not included in the determination of the term is accounted for as a modification. The lessee shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the lessee shall recognize any remaining amount of the remeasurement in profit or loss.

<u>Until 31 December 2018</u>

The previously applicable IFRS rules concerning leases (IAS 17 and IFRIC 4) were applied until 31 December 2018. Under these rules, a distinction was made between operating leases and finance leases from the perspective of both the lessor and the lessee. This distinction has been retained for the lessor (see explanation above). The effect from the transition is described further below under IFRS 16, Leases.

Inventories

Inventories are valued at acquisition or production cost and measured using the average method or at the lower net realizable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and are recognized at nominal values. No loss allowances in accordance with IFRS 9 were recognized due to immateriality.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one contractual party and a financial liability or equity instrument of another party.

Financial assets – first-time recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost (AC), fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

The business model for managing financial assets refers to how an entity manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A financial asset is measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets are measured at fair value, with the exception of receivables that do not contain a significant financing component or for which the practical expedient set out under IFRS 15 is applied for terms of up to 12 months (on the assumption that no financing component exists). Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets at amortized cost (debt instruments held)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The financial assets at amortized cost largely include loan receivables, trade receivables as well as cash and cash equivalents.

Financial assets designated at fair value through OCI (equity instruments held)

Gains and losses in this category are never recycled to profit or loss. Dividends are recognized as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

All equity instruments were irrevocably allocated to this category and are recognized under financial assets.

Impairment of financial assets

If significant, an allowance for expected credit losses (ECLs) is recognized for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). In order to assess the credit risk, tried-and-tested default estimates are applied that are based on data found to predict the exposure to loss. Such data primarily include external credit reports, audited financial statements and available press releases.

For trade receivables and contract assets, a simplified approach in calculating ECLs is applied. Changes in credit risk are not tracked, but instead a loss allowance based on lifetime ECLs is recognized at each reporting date. Loss allowances are determined using a provision matrix that is based on the likelihood that a receivable will pass through consecutive stages of arrears. The loss rates are calculated on the basis of the actual credit losses over the past four years taking into account the geographic location. These rates are also adjusted to the present conditions as well as the current economic developments.

The following table provides information on the estimated exposure to credit risk and ECLs for trade receivables and contract assets as of 31 December 2019.

Provision matrix as of 31 Dec 2019	
Status as of 31 Dec 2019	Expected credit loss rates (weighted average)
Not due	
1 to 30 days past due	0.01%
31 to 60 days past due	0.01%
61 to 90 days past due	0.01%
More than 90 days past due	5.40%

<u>Financial liabilities</u>

All financial liabilities are measured at amortized cost using the effective interest method. At the EEW Group, this category includes liabilities to banks, lease liabilities, trade payables, other financial liabilities and other current liabilities. Financial liabilities are derecognized when the obligations specified in the contract are discharged, canceled or expire.

Deferred taxes

Pursuant to IAS 12, deferred taxes are recognized on temporary differences between the carrying amounts in the consolidated statement of financial position and the tax balance sheet and also on tax loss carryforwards.

Deferred tax assets are recognized to the extent that it is probable that a taxable result will be available in future. The calculation of deferred taxes uses such tax rates as are expected at the date of realization according to the legal regulations applicable as of the reporting date.

Other provisions

Provisions are recognized if there is a present legal or actual obligation as a result of a past event, an outflow of resources embodying economic benefits to fulfill this obligation is likely and the probable amount of the necessary provision can be estimated reliably. Provisions are measured pursuant to IAS 37 at the best estimate of the expenditure required to settle the present obligation at the reporting date.

The reversal of provisions is posted to other operating income.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are recognized for defined benefit obligations within the Group. In accordance with IAS 19, they are measured using the projected unit credit method. Future salary and pension trends are included in the calculation under this valuation method. The calculated pension obligation is reported net of the existing plan assets. According to IAS 19.8, plan assets are either assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are measured at their fair value.

Actuarial gains and losses resulting from changes in the underlying measurement parameters are recognized in full in the period in which they arise. They are presented in other comprehensive income (reserve for actuarial gains and losses) and will not subsequently be reclassified to profit or loss.

The defined benefit obligation recognized in the consolidated statement of financial position represents the current shortfall or surplus of defined benefit plans in the Group.

Payments for defined contribution plans are recognized as expenses at the time the employees render the service.

Statement of cash flows

The statement of cash flows presents the change in the balance of cash and cash equivalents which is reported in the consolidated statement of financial position under the cash and cash equivalents item and includes cash and cash equivalents with a term of not more than three months. The cash flows are presented grouped into the areas of operating, investing and financing activities.

The cash inflow from operating activities is derived indirectly by adjusting profit or loss for the period for effects and the financial result not affecting cash and supplementing it with changes in current assets and liabilities and paid and received interest and income taxes.

Judgments and estimates

The preparation of the consolidated financial statements in accordance with IFRSs requires to a certain extent management to make judgments, estimates and assumptions concerning the application of financial reporting methods and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates, judgments and assumptions; such changes may have a significant impact on the consolidated financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments of estimates relevant for the financial reporting are made in the period in which the change occurs if the change only relates to that period. Any changes affecting both the current and future periods are made in both the current and in subsequent periods. Estimates are required to value property, plant and equipment and intangible assets, specifically in connection with purchase price allocations, accounting for pension and other provisions and for impairment testing in accordance with IAS 36.

EEW's non-current assets mainly comprise intangible assets and property, plant and equipment with finite useful lives. An impairment test for these assets must only be performed when triggering events occur which could reduce the recoverable amount of the cash-generating unit. An asset is impaired when its carrying amount exceeds its recoverable amount. The cash-generating unit of EEW comprises EEW Holding and its subsidiaries, as this is the smallest identifiable group of assets that is independent of the cash inflows from other assets or groups of assets. In 2019, there were no indications of impairment.

The basis for estimates with regard to other relevant topics are explained in the respective sections.

Effects of new or revised accounting standards and interpretations

Standard/interpretation			Mandatory application in the EU
New	IFRS 16	Leases	1 Jan 2019
New	IFRIC 23	Uncertainty over Income Tax Treatments	1 Jan 2019
Amendment	IAS 28	Long-term Interests in Associates and Joint Ventures	1 Jan 2019
Amendment	IAS 19	Plan Amendment, Curtailment or Settlement of Defined Benefit Plans	1 Jan 2019
Amendment	IFRS 3, IFRS 11, IAS 12, IAS 23	Annual Improvements to IFRSs 2015-2017 Cycle	1 Jan 2019

First-time application of IFRS 16 Leases

For fiscal years beginning on or after 1 January 2019, IFRS 16 replaces earlier standards for the recognition of leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Under IFRS 16, a lessee shall recognize assets for the rights of use acquired and liabilities for the payment obligations assumed (right-of-use approach) for all leases. A distinction between finance and operating leases, as under IAS 17, is no longer made for the lessee. Exemptions are granted for low-value leased assets and short-term leases. The accounting rules for lessors correspond substantially to the previous rules in IAS 17. In particular, the distinction between finance and operating leases remains in place.

EEW did not apply the new leases standard retrospectively in full, but made use of the relevant practical expedient for lessees (modified retrospective method). Therefore, the prior-year disclosures and figures were not adjusted. They are stated in accordance with the previously applicable rules. The transition took place as of 1 January 2019. Upon transition to the new provisions, payment obligations under current operating leases were discounted using the relevant incremental borrowing rate of interest for the overall term of these leases. The resulting present value was recognized as a lease liability. The right-of-use assets were recognized in the amount of the lease liability less any prepaid lease payments.

The following approach was adopted taking into account the options and practical expedients pursuant to IFRS 16:

- For the transition to IFRS 16, the previous method of assessing whether a contract is a lease was retained.
- Right-of-use assets are included within the same line item as that within which the corresponding underlying assets would be presented if they were owned by EEW. This pertains solely to property, plant and equipment.
- Finance leases recognized in accordance with IAS 17 are stated at their carrying amount as of 1 January 2019.
- Lease liabilities are recognized as a separate line item in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 are not applied to short-term leases (up to 12 months) and leases of low-value assets.

- As a rule, the option to not separate lease components and non-lease components of an agreement and to account for them as a single lease component is not exercised. Accordingly, non-lease components are separated and accounted for in accordance with the applicable standards.

- IFRS 16 is not applied to leases of intangible assets.

The significant effects from the first-time application of IFRS 16 are:

- Payment obligations under operating leases, which had to be disclosed in the notes to the consolidated financial statements under IAS 17 (note 6.11), are now recognized as right-of-use assets and lease liabilities.

- Total assets increased by EUR 9.5m as of the date of initial application due to the recognition of right-of-use assets and lease liabilities.

- In the income statement, depreciation charges and interest expenses are recognized instead of lease expenses. This resulted in an improvement in EBITDA of EUR 2.0m for 2019.

- In the statement of cash flows, the principal portion of lease payments under existing operating leases reduce the cash flows from financing activities and no longer the cash flows from operating activities. Only the interest payments remain under cash flows from operating activities.

The opening balances of the operating leases as of 1 January 2019 were developed from the lease liabilities recognized as of 31 December 2018 as follows:

Figures in EUR k	
Minimum lease payments under operating leases as of 31 Dec 2018	14,768
thereof for short-term leases	-292
thereof for leases of low-value assets	-2,276
Operating lease obligations as of 1 Jan 2019 (gross amount, undiscounted)	12,200
Effect from discounting at the incremental borrowing rate as of 1 Jan 2019	-2,683
Additional liabilities recognized as a result of the first-time application of IFRS 16 as of 1 Jan 2019	9,517
Finance lease liabilities as of 31 Dec 2018	4,450
Lease liabilities as of 1 Jan 2019	13,967

The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position as of 1 January 2019 was 2.36% p.a.

<u>First-time application of IFRIC 23 Uncertainty over Income Tax Treatments</u>

IFRIC 23 supplements the rules set out in IAS 12 regarding the consideration of uncertainty over income tax treatments of matters and transactions by the tax authorities as well as regarding current and deferred taxes. Any uncertainty unlikely to be accepted by the tax authorities must be stated at the most likely amount or at the expected value.

Application of IFRIC 23 will not lead to any changes in recognition, as the uncertain tax positions have already been recognized at their most likely amount in the past. As a result, no transition effects will arise. The risks that could arise from tax audits are accounted for under income tax liabilities. For more information, please see note 5.7 Income taxes.

New accounting standards and interpretations not yet applied

The following accounting standards and interpretations published by the IASB by the reporting date may be relevant for EEW but will only become effective at a later date. When they have already been endorsed by the EU, the date of mandatory first-time adoption in the EU is shown; otherwise the date of mandatory first-time adoption stated by the IASB is shown.

Standard/interpretation			Mandatory application in the EU	Endorse-ment
Amendment	IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 Jan 20	Yes
Amendment	IAS 1 and IAS 8	Definition of material	1 Jan 20	Yes
Amendment	Conceptual Framework	Amendments to References to the Conceptual Framework	1 Jan 20	Yes
Amendment	IFRS 3	Definition of a business	1 Jan 20	No
Amendment	IAS 1	Classification of Liabilities as Current or Non-Current	1 Jan 22	No

From today's perspective, the other standards and interpretations have no material effects on the EEW Group's consolidated financial statements.

3. Consolidation

In addition to the Group parent, EEW Holding, the following subsidiaries are included in the consolidated financial statements:

Name	Registered office	Share of capital as of 31 Dec 2019	Share of capital as of 31 Dec 2018
EEW Energy from Waste GmbH	Helmstedt *	99.6	99.6
EEW Energy from Waste Göppingen GmbH	Göppingen *	100	100
EEW Energy from Waste Grossräschen GmbH	Grossräschen *	100	100
EEW Energy from Waste Hannover GmbH	Hanover	85	85
EEW Energy from Waste Helmstedt GmbH	Helmstedt *	100	100
EEW Energy from Waste Heringen GmbH	Heringen *	100	100
EEW Energy from Waste Premnitz GmbH	Premnitz *	100	100
EEW Energy from Waste Saarbrücken GmbH	Saarbrücken *	100	100
EEW Energy from Waste Stapelfeld GmbH	Stapelfeld *	100	100
EEW Energy from Waste Stavenhagen GmbH & Co. KG	Stavenhagen *	100	100
EEW Energy from Waste Leudelange S.à r.l.	Leudelange	100	100
EEW Energy from Waste Delfzijl B.V.	Farmsum	100	100
EEW Energy from Waste Polska Sp. z o.o.	Warsaw	100	100
IHKW Industrieheizkraftwerk Andernach GmbH	Andernach *	100	100
Kraftwerk Schwedt GmbH & Co. KG	Schwedt/Oder *	99	99
M+E Holding GmbH & Co. KG	Helmstedt	94	94
Müllheizkraftwerk Rothensee GmbH	Magdeburg	51	51

* Applying the exemption pursuant to Sec. 264 (3) and Sec. 264b HGB with regard to preparation and disclosure

Unless stated otherwise, the share of capital corresponds to EEW's voting interest.

EEW Energy from Waste GmbH, Helmstedt (EEW GmbH), is included in the exempting consolidated financial statements of EEW Holding. Furthermore, EEW GmbH made use of the exemption from the duty to prepare consolidated financial statements and a group management report pursuant to Sec. 291 HGB. The disclosures under Sec. 291 (2) No. 4 HGB were shifted to the notes to the consolidated financial statements, since EEW GmbH applied Sec. 264 (3) HGB and dispensed with the preparation of notes and a management report and also with the publication of the same.

A stake of at least 20% is held in the following companies. Full consolidation or accounting using the equity method was not applied for reasons of materiality. These equity investments are measured at fair value through other comprehensive income and presented under non-current assets.

Name	Registered office	Share of capital in %	Equity* 31 Dec 2018 in EUR k	Profit or loss for* 2018 in EUR k
Non-consolidated subsidiaries				
EEW Vermögensverwaltungs-GmbH	Helmstedt	100	7	-1
Kraftwerk Schwedt Verwaltungs-gesellschaft mbH	Schwedt/Oder	100	133	8
EEW Energy from Waste Stavenhagen Verwaltungs GmbH	Stavenhagen	100	141	6
EEW Verwaltungs GmbH	Helmstedt	100	24	-1
TREA Breisgau Betriebsgesellschaft mbH	Eschbach	75	243	28
Joint ventures				
EBS Kraftwerk GmbH	Hürth	50	700	220
Entsorgungszentrum Salzgitter GmbH	Salzgitter	50	5,533	963
Associates				
AVA Velsen GmbH	Saarbrücken	49	5,115	0
TREA Breisgau Energieverwertung GmbH	Eschbach	30	817	92

* Most recent financial statements according to German GAAP

The revenue and total assets of the non-consolidated subsidiaries amount to 2.4% and 0.3%, respectively, of those of the EEW Group.

Non-controlling interests

There are significant non-controlling interests in the following companies:

Subsidiary name	Registered office	Ownership and voting rights of non-controlling interests in %		Profit or loss attributable to non-controlling interests in EUR k		Accumulated non-controlling interests in EUR k	
		2019	2018	2019	2018	2019	2018
MHKW Rothensee GmbH	Magdeburg	49%	49%	10,081	8,851	53,153	54,673
Various insignificant subsidiaries with non-controlling interests						9,632	10,062
Total non-controlling interests						62,785	64,735

The following table offers detailed information about Müllheizkraftwerk Rothensee GmbH (MHKW Rothensee GmbH) before consolidation.

MHKW Rothensee GmbH Figures in EUR k	2019	2018
Revenue	79,209	75,760
Current assets	37,270	39,271
Non-current assets	132,927	142,311
Current liabilities	11,785	16,841
Non-current liabilities	50,344	53,580
Profit for the period attributable to the shareholders of EEW Holding	11,816	10,723
Profit for the period attributable to non-controlling interests	10,081	8,851
Total profit for the period	21,897	19,574
Other comprehensive income attributable to the shareholders of EEW	-78	53
Other comprehensive income attributable to non-controlling interests	-76	52
Total other comprehensive income	-154	105
Total comprehensive income attributable to the shareholders of EEW	11,738	10,776
Total comprehensive income attributable to non-controlling interests	10,005	8,903
Total comprehensive income	21,743	19,679
Dividends paid to non-controlling interests	11,483	12,930
Cash flows from operating activities	35,042	32,472
Cash flows from investing activities	-3,803	-1,892
Cash flows from financing activities	-33,793	-36,533
Total cash flows	-2,554	-5,953

Consolidation principles

The consolidated financial statements are prepared on the basis of the single-entity financial statements of the companies included in the consolidated financial statements, which were prepared according to uniform accounting and valuation rules as of 31 December 2019.

Due to materiality considerations, all companies are included over which EEW Holding has control within the meaning of IFRS 10. They are included (fully consolidated) in the consolidated financial statements from the date on which control is transferred to the Group. EEW Holding has control when EEW GmbH has existing rights that give it the current ability to direct the relevant activities. The relevant activities are the activities that significantly affect the (investee) company's returns.

Normally the power of control is based on EEW Holding's indirect or direct majority of voting rights. They are deconsolidated when control ends.

The recognition and measurement methods of the consolidated subsidiaries correspond to the recognition and measurement methods that are uniform throughout the Group, as presented here.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

As soon as EEW loses control over a subsidiary, all assets and liabilities and also the non-controlling shares and accumulated amounts in other comprehensive income are derecognized. The deconsolidation result is presented in other operating income or other operating expenses.

4. Foreign currency translation

EEW Holding's functional currency and the EEW Group's reporting currency is the euro.

Where the financial statements of foreign subsidiaries are prepared in a functional currency other than the euro, the assets and liabilities are translated at the exchange rate on the reporting date. Expenses and income were translated at the annual average rate. Differences on currency translation are reported in equity in the "reserve for the currency translation of foreign companies" without affecting profit or loss. If group companies leave the consolidated group, the relevant currency translation difference is released to profit or loss.

The following exchange rates were used for currency translation in the financial statements of EEW Energy from Waste Polska Sp. z o.o.:

	2019		2018	
	Average rate in EUR	Closing rate in EUR	Average rate in EUR	Closing rate in EUR
1 Polish zloty	0.23	0.23	0.23	0.23

5. Notes to the consolidated income statement

5.1 Revenue from contracts with customers

Revenue primarily resulted from the recovery and disposal of waste and the sale of the energy generated from it (EUR 484,745k; prior year: EUR 449,294k) and from the operational management of individual waste incineration facilities (EUR 83,943k; prior year: EUR 82,932k).

Revenue breakdown

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Figures in EUR k	2019		
Revenue recognition	Revenue recognized at a point in time	Revenue recognized over time	Total
Type of goods or service			
Waste	349,286	0	349,286
Energy	0	135,459	135,459
Operational management	0	83,943	83,943
Other revenue	0	24,390	24,390
Total	349,286	243,792	593,078

Figures in EUR k	2018		
Revenue recognition	Revenue recognized at a point in time	Revenue recognized over time	Total
Type of goods or service			
Waste	329,687	0	329,687
Energy	0	119,607	119,607
Operational management	0	82,932	82,932
Other revenue	0	20,605	20,605
Total	329,687	223,144	552,831

Other revenue is closely related to waste revenue. It mainly includes revenue from residual waste recovery, from freight fees and other service fees. In order to ensure a gross presentation of incineration revenue, other revenue is stated separately.

Figures in EUR k	2019	2018
Geographical markets		
Germany	513,403	495,411
Rest of Europe *	79,675	57,420
Total	593,078	552,831

*Netherlands and Luxembourg

5.2 Other operating income

Figures in EUR k	2019	2018
Other operating income		
Refunds and damages	3,716	1,795
Income from energy tax refunds	2,486	1,984
Income from the allocation of costs for goods and services	2,442	2,539
Reversal of bad debt allowances	551	1,059
Income from the reversal of provisions	345	6,033
Rental and lease income	315	364
Income from sales of scrap and materials	295	564
Income from the release of investment grants	289	313
Income from the disposal of non-current assets	38	229
Miscellaneous other operating income	4,288	4,368
Total other operating income	14,765	19,248

5.3 Cost of materials

The cost of raw materials, consumables and supplies and of purchased merchandise essentially consist of fuel for the generation of electricity and heat.

The costs of services purchased are operational management fees, maintenance services purchased, the costs of disposing of ash and flue gas cleaning residues and miscellaneous services purchased.

5.4 Personnel expenses

On an annual average the Group employed (excluding management):

	2019	2018
Wage earners	676	653
Salaried employees	489	471
Inactive employees	12	13
Total	1,177	1,137

5.5 Other operating expenses

Figures in EUR k	2019	2018
Other operating expenses		
IT costs	8,590	7,474
Insurance premiums, fees and contributions	8,261	7,714
Other purchased services and allocation of costs for goods and services	8,087	8,311
Audit and advisory fees	5,828	4,013
Training, travel expenses	4,051	3,750
Other taxes	2,223	2,081
Rents and leases	1,986	3,262
Advertising and marketing expenses	1,743	2,015
Losses on the disposal of property, plant and equipment	1,185	336
Impairment losses on current assets	1,146	251
Court, notary and lawyers' fees	684	777
Processing obligations	584	392
Miscellaneous other operating expenses	12,016	7,584
Total other operating expenses	56,384	47,960

The miscellaneous other operating expenses mainly include bank charges, voluntary social benefits for employees, expenses for insurance claims and other office expenses. The rise in other operating expenses is primarily due to a payment of EUR 3,447k to a former shareholder in connection with a contractual tax clause.

5.6 Financial result

Interest income mainly includes income from finance leases (see note 6.11).

Interest expenses include the interest expense from external financing as well as the unwinding of discounts on pensions and other non-current provisions.

Interest expenses are stated net of capitalized borrowing costs of EUR 522k (prior year: EUR 588k). A group-wide borrowing rate of 1.2% was applied (prior year: 1.7%).

The investment result mainly comprises profit transfers and dividends.

5.7 Income taxes

The following table reconciles the expected tax expense for the fiscal year with the reported tax expense. The expected tax expense results from an overall tax rate of 30% – unchanged on the prior year – earnings before taxes. The overall tax rate comprises the corporate income tax rate including solidarity surcharge of 16% and the effective average trade tax rate of 14%.

The changes in tax effects from non-deductible business expenses and from adjustments to trade tax are largely due to a sharp rise in special operating results of the partnerships.

The increase in out-of-period tax income arose from the remeasurement of the uncertain tax position in particular due to the findings of the ongoing tax field audit.

Deferred taxes on loss and interest carryforwards are the result of the use of the tax loss and interest carryforwards of one group company.

Figures in EUR k	2019	2018
Consolidated profit before income taxes	126,440	116,643
Expected tax expense: 30% (prior year: 30%)	-37,932	-34,993
Income tax reductions on distributed dividends and sale proceeds	328	470
Tax effects on tax-free income	0	138
Tax effects on non-deductible operating expenses	-3,270	-916
Trade tax add-backs/reductions	1,312	-367
Out-of-period taxes	7,107	-3,669
Effects from differences between entity and group tax rates	2,633	613
Loss/interest carryforwards	51	-4
Permanent differences	-1,649	-357
Other	-22	230
Effective tax expense	-31,442	-38,855
Effective tax rate	25%	33%

6. Notes to the consolidated statement of financial position

6.1 Intangible assets and property, plant and equipment

Intangible assets

EEW has significant intangible assets with a finite useful life, mostly deriving from the contractual customer relationships identified in the purchase price allocation (PPA) recognized when control was obtained by EEW Holding on 31 March 2013. These include long-term disposal agreements with municipalities and operational management agreements. The customer relationships were valued on the acquisition date using the multi-period excess earnings method. The revenue from the customer relationships of the individual companies in the EEW Group was taken from the EEW Group's business plan. The useful life is the contractual term. The agreements are amortized over their remaining useful lives of between 1 and 10 years on the reporting date (net carrying amount of the intangible assets as of 31 December 2019 of EUR 86,877k; prior year: EUR 118,593k). Amortization of intangible assets totaled EUR 33,771k in fiscal year 2019 (prior year: EUR 34,178k). No impairment losses were charged in fiscal year 2019 or in the prior year.

Property, plant and equipment

The carrying amount of property, plant and equipment includes the carrying amount of right-of-use assets of EUR 14,383k. First-time application of IFRS 16 resulted in additions of right-of-use assets of EUR 9,540k as of 1 January 2019. Additions of right-of-use assets during fiscal year 2019 came to EUR 692k.

Depreciation of property, plant and equipment totaled EUR 62,203k in fiscal year 2019 (prior year: EUR 55,801k). This includes depreciation of recognized right-of-use assets in the amount of EUR 2,171k. The recognition of impairment losses was not necessary in 2019 (prior year: EUR 5k).

The development of intangible assets and property, plant and equipment is presented in the following overview:

2019
Intangible assets and property, plant and equipment
Development of cost

Figures in EUR k	As of 1 Jan 2019	Additions	Disposals	Reclassi-fications	As of 31 Dec 2019
Customer-related intangible assets	334,911	0	0	0	334,911
Technology-related intangible assets	4,824	731	-37	56	5,574
CO_2 emission allowances	804	1,677	-409	0	2,072
Intangible assets	340,539	2,408	-446	56	342,557
Land and land rights	24,959	281	-43	0	25,197
Rights of use for land	0	5,053	0	0	5,053
Land and land rights	24,959	5,334	-43	0	30,250
Buildings, including buildings on third-party land (owned)	114,258	901	-675	1,037	115,521
Rights of use for buildings, including buildings on third-party land	0	1,951	0	0	1,951
Buildings, including buildings on third-party land	114,258	2,852	-675	1,037	117,472
Plant and machinery (owned)	761,104	35,386	-4,681	68,393	860,202
Rights of use for plant and machinery	8,997	1,616	0	0	10,613
Plant and machinery	770,101	37,002	-4,681	68,393	870,815
Other equipment, furniture and fixtures	14,502	3,346	-227	260	17,881
Rights of use for other equipment, furniture and fixtures	0	1,612	-40	0	1,572
Other equipment, furniture and fixtures	14,502	4,958	-267	260	19,453
Prepayments and assets under construction	81,426	50,593	0	-69,746	62,273
Property, plant and equipment	1,005,246	100,739	-5,666	-56	1,100,263
Intangible assets and property, plant and equipment	1,345,785	103,147	-6,112	0	1,442,820

Accumulated amortization, depreciation and impairment and net carrying amounts

As of 1 Jan 2019	Additions	Disposals	Reclassi-fications	As of 31 Dec 2019	Net carrying amount as of 31 Dec 2019
-219,039	-33,056	0	0	-252,095	82,816
-2,907	-715	37	0	-3,585	1,989
0	0	0	0	0	2,072
-221,946	-33,771	37	0	-255,680	86,877
-245	-2	0	0	-247	24,950
0	-229	0	0	-229	4,824
-245	-231	0	0	-476	29,774
-35,002	-5,009	110	1	-39,900	75,621
0	-396	0	0	-396	1,555
-35,002	-5,405	110	1	-40,296	77,176
-301,376	-52,829	4,127	-1	-350,079	510,123
-2,642	-963	0	0	-3,605	7,008
-304,018	-53,792	4,127	-1	-353,684	517,131
-6,356	-2,192	184	0	-8,364	9,517
0	-583	7	0	-576	996
-6,356	-2,775	191	0	-8,940	10,513
0	0	0	0	0	62,273
-345,621	-62,203	4,428	0	-403,396	696,867
-567,567	-95,974	4,465	0	-659,076	783,744

2018
Intangible assets and property, plant and equipment
Development of cost

Figures in EUR k	As of 1 Jan 2018	Additions	Disposals	Reclassi-fications	As of 31 Dec 2018
Customer-related intangible assets	334,911	0	0	0	334,911
Technology-related intangible assets	3,787	972	-8	73	4,824
CO_2 emission allowances	539	404	-139	0	804
Intangible assets	339,237	1,376	-147	73	340,539
Land and land rights	24,845	150	-46	10	24,959
Land and land rights	24,845	150	-46	10	24,959
Buildings, including buildings on third-party land (owned)	113,296	1,029	-167	100	114,258
Buildings, including buildings on third-party land	113,296	1,029	-167	100	114,258
Plant and machinery (owned)	739,399	22,929	-5,929	4,705	761,104
Plant and machinery (leased)	8,997	0	0	0	8,997
Plant and machinery	748,396	22,929	-5,929	4,705	770,101
Other equipment, furniture and fixtures	12,052	2,200	-169	419	14,502
Other equipment, furniture and fixtures	12,052	2,200	-169	419	14,502
Prepayments and assets under construction	49,717	37,016	0	-5,307	81,426
Prepayments and assets under construction	49,717	37,016	0	-5,307	81,426
Property, plant and equipment	948,306	63,324	-6,311	-73	1,005,246
Intangible assets and property, plant and equipment	1,287,543	64,700	-6,458	0	1,345,785

Accumulated amortization, depreciation and impairment and net carrying amounts

As of 1 Jan 2018	Additions	Disposals	Reclassi-fications	As of 31 Dec 2018	Net carrying amount as of 31 Dec 2018
-185,528	-33,511	0	0	-219,039	115,872
-2,244	-667	4	0	-2,907	1,917
0	0	0	0	0	804
-187,772	-34,178	4	0	-221,946	118,593
-243	-2	0	0	-245	24,714
-243	-2	0	0	-245	24,714
-30,173	-4,935	106	0	-35,002	79,256
-30,173	-4,935	106	0	-35,002	79,256
-258,361	-48,607	5,592	0	-301,376	459,728
-2,325	-317	0	0	-2,642	6,355
-260,686	-48,924	5,592	0	-304,018	466,083
-4,564	-1,945	153	0	-6,356	8,146
-4,564	-1,945	153	0	-6,356	8,146
0	0	0	0	0	81,426
0	0	0	0	0	81,426
-295,666	-55,806	5,851	0	-345,621	659,625
-483,438	-89,984	5,855	0	-567,567	778,218

6.2 Financial assets

Financial assets include investments in affiliates, joint ventures and associates of EUR 26,988k (prior year: EUR 17,656k) which for reasons of immateriality are neither consolidated nor accounted for using the equity method. Changes in fair value are recorded under other comprehensive income without affecting profit and loss. Information about the methods used to determine fair value is provided in note 6.10.

Furthermore, loans issued to the above investees of EUR 10,000k (prior year: EUR 10,000k) and loans issued to third parties (EUR 4k; prior year: EUR 7,453k) are included under financial assets.

6.3 Inventories

Inventories comprise raw materials, consumables and supplies. Impairments of EUR 149k (prior year: reversals of impairments of EUR 267k) were expensed in the fiscal year.

6.4 Receivables and other assets

Trade receivables and contract assets break down as follows:

Figures in EUR k	2019	2018
Contract balances		
Trade receivables	71,364	80,774
Contract assets	14,149	10,094
Total	85,513	90,868

The following table shows the composition of trade receivables and contract assets by maturity.

Figures in EUR k	2019	2018
Unimpaired receivables		
Neither past due nor impaired	77,441	75,758
1 to 30 days past due, unimpaired	6,352	12,562
31 to >360 days past due, unimpaired	1,707	779
Total unimpaired receivables	85,500	89,099
Impaired receivables		
Gross receivables	2,378	3,969
Specific bad debt allowances	-2,365	-2,059
Total impaired receivables	13	1,910
Collectively assessed specific bad debt allowances	0	-141
Total	85,513	90,868

Trade receivables include receivables amounting to EUR 7,412k (prior year: EUR 10,356k) from non-consolidated affiliates, associates and joint ventures.

Bad debt allowances comprise specific bad debt allowances. The cost of allocations to bad debt allowances is recognized in the income statement in the other operating expenses item.

The development of the bad debt allowances on trade receivables is presented below.

Figures in EUR k	2019	2018
As of 1 Jan	2,200	3,179
+ Additions	1,271	56
- Utilizations (realized impairments)	-912	-1,032
- Reversals (impairments no longer required)	-194	-3
As of 31 Dec	2,365	2,200

A waste incineration plant constructed by EEW was subsequently leased out. The receivables under this transaction are presented in the receivables from lease transactions (note 6.11).

The remaining receivables and other assets are measured at amortized cost. Other non-current receivables and assets of EUR 6,281k primarily include prepaid expenses. Other current receivables and assets of EUR 56,356k primarily include receivables from related parties (note 9), insurance indemnity claims, income tax receivables and prepayments.

6.5 Deferred taxes

Figures in EUR k	2019		2018	
	Asset	Liability	Asset	Liability
Deferred taxes	34,652	94,864	49,031	121,847
thereof recognized in profit or loss	-21,826	26,983	-4,618	9,466

The following table shows the deferred tax assets and liabilities for the items in the statement of financial position.

Figures in EUR k	2019	2018
Deferred tax assets on property, plant and equipment	708	20,534
Deferred tax assets on financial assets	0	0
Deferred tax assets on inventories	103	103
Deferred tax assets on receivables and other assets	1	82
Deferred tax assets on provisions	32,260	23,985
Deferred tax assets on liabilities	1,580	3,544
Deferred tax liabilities on loss carryforwards	0	783
Total deferred tax assets	34,652	49,031

As of 31 December 2019, there were no longer any deferred tax assets on tax loss and interest carryforwards (prior year: EUR 783k). This is due to the loss utilization by one group company. Deferred taxes are based on tax rates of 16% for corporate income tax (including solidarity surcharge) and 14% for trade tax.

Figures in EUR k	2019	2018
Deferred tax liabilities on intangible assets	24,103	34,056
Deferred tax liabilities on property, plant and equipment	61,358	57,642
Deferred tax liabilities on financial assets	151	144
Deferred tax liabilities on receivables and other assets	9,252	29,643
Deferred tax liabilities on provisions	0	57
Deferred tax liabilities on liabilities	0	305
Total deferred tax liabilities	94,864	121,847

6.6 Subscribed capital and reserves

The development of the individual equity items is presented separately in the consolidated statement of changes in equity.

EEW Holding's subscribed capital amounts to EUR 1,000k (prior year: EUR 1,000k) and is fully paid in. The shares have a nominal value of EUR 1. The balance of the capital reserves as of the reporting date is thus EUR 275,900k (prior year: EUR 273,034k). The capital reserves contain contributions to equity made by shareholders. The increase compared to the prior year is attributable to a payment by a former shareholder in connection with a contractual tax clause.

Other revenue reserves include actuarial gains and losses, differences from currency translation and changes in the value of equity instruments. In future periods, it will not be possible to reclassify actuarial gains and losses or changes in the value of equity instruments to profit or loss, whereas exchange differences on the translation of foreign operations are reclassified to profit or loss under certain circumstances.

In fiscal year 2019, EUR 41.4m was distributed to the shareholders of the parent company for fiscal year 2018. The revenue reserves were appropriated to make the distributions.

6.7 Pension provisions

Provisions for pensions and similar obligations are recognized for defined benefit obligations within the Group. The calculated pension obligation is reported net of the existing plan assets. Obligations for the pension entitlements of former and active employees of the EEW Group amounting to EUR 127,545k (prior year: EUR 99,420k) contrast with plan assets with a fair value of EUR 29,633k as of 31 December 2019 (prior year: EUR 28,189k).

In accordance with IAS 19, they are measured using the projected unit credit method. The provisions for pensions and similar obligations and the related pension costs are calculated using actuarial models. The valuations are based on a range of assumptions such as current actuarial probabilities (including discounting factors, increase in the cost of living), assumptions on future employee turnover and the probability of pension or lump-sum payments. As markets and the economic situation change, the probabilities assumed for these factors may differ from actual developments.

Future salary and pension trends are included in the calculation under this valuation method. Actuarial gains and losses resulting from changes in the underlying measurement parameters are recognized in full in the period in which they arise. They are presented in the Group's other comprehensive income.

Pension plans

There are company pension commitments to most former and active employees in the EEW Group as a supplement to the benefits of state and private pension schemes. Commitments are made under both defined benefit plans and defined contribution plans.

There is an employee pension scheme for present and – after completion of the vesting period – former employees and their survivors. This is financed partly by the employer and by employees in the form of salary conversion.

EEW regularly reviews the pension commitments existing in the Group with regard to their financial risks. Typical risk factors for defined benefit commitments are longevity, investment risks, nominal interest rate changes and increases in inflation and salaries.

Defined contribution plans

The companies have predominantly made defined contribution commitments to active employees. The contributory commitments granted are based on contractual or legal regulations. The related payments are made to state or private pension insurers. There is no obligation on the part of the employer beyond these payments.

The expenses totaling EUR 624k (prior year: EUR 553k) recognized in the consolidated income statement represent the Group's contributions owed to these pensions plans in accordance with the contribution rates regulated therein.
The Group maintains defined contribution pension plans for eligible employees of its subsidiaries.

Defined benefit plans

In addition to the defined contribution commitments there are defined benefit plans within the Group. The entitlements under the defined benefit plans as of the reporting date relate to about 1,330 (prior year: 1,330) beneficiaries, including 729 (prior year: 722) active employees, 244 (prior year: 246) former employees with vested benefits and 357 (prior year: 362) pensioners and surviving dependents.

The majority of the benefit obligations to current candidates relate to a pension building block system (occupational pension scheme) or to a variant thereof which emerged from the harmonization of a large number of pension commitments granted in the past. Under this variant, in addition to the defined contribution pension building blocks, final pay-linked formulae are also taken into account in calculating benefits. The plans are closed to new entrants.

The only pension commitment open to new intake employees is a capital account system with the payout options of: pension, proportionate one-off payment, or installment payments. Under the other commitments, regular pension benefits are usually paid.

Future pension adjustments are guaranteed at 1% p.a. for a large part of the active beneficiaries. Pension adjustments for former employees and pensioners keep step with the rate of inflation, normally in a three-year cycle, in some cases more frequently.

The defined benefit obligation recognized in the consolidated statement of financial position represents the current shortfall or surplus of the Group's defined benefit plans. Benefits are paid on reaching retirement age, invalidity and death. The pension provision consists solely of domestic obligations.

A contractual trust arrangement (CTA) which is endowed in accordance with the level of the obligation was established to secure the obligations. The CTA for the German group companies is administered in trust by HI-PENSION TRUST EEW-Fonds.

A large portion of the plan assets are invested in this CTA. Repayments to the trustors are made in accordance with the cases regulated in the trust agreement:

- to refund benefits payments fulfilled by the trustor
- insofar as there is an overendowment in the level of the trust assets
- if the trustor has no further benefit obligations or
- if the associated plan expires due to the withdrawal of all the trustor's beneficiaries.

The CTA's investment committee consists exclusively of employees of EEW Energy from Waste GmbH.

Until 31 December 2017, employer's pension liability insurance was taken out with VK Energie VVaG to secure further pension commitments. The plan assets were earmarked and can be set off against the pension obligations pursuant to IAS 19. VK Energie VVaG was dissolved as of 30 December 2017. The assets were transferred to a follow-up solution (CTA II) in 2018. This CTA is also administered in trust by HI-PENSION TRUST EEW-Fonds. A strict obligation for the Company to make additional contributions to CTA II applies.

To a far lesser extent one company's plan assets are also with the VK GFA pension fund. Excess assets can to some extent be transferred back to the support funds, but are normally used currently or and on dissolution of the fund for benefit increases, whereby the pension funds' benefits are offset against those from the employer's direct commitment. The support funds have a low level of endowment obligations at VK GFA. Restructuring contributions may also become necessary in the case of shortfalls.

A small amount of the plan assets are held at Hannoversche Lebensversicherung AG.

Due to the pension commitments on hand, the Group is normally exposed to the following actuarial risks:

- <u>Investment risk</u>

  The present value of the defined benefit obligation under the plan is calculated using a discount rate which is determined on the basis of the yields on high quality corporate bonds. A shortfall arises if the income from the plan assets is lower than this interest rate.

- <u>Interest rate risk</u>

  A decline in the bond interest rate results in an increase in the plan liability. This effect is partially compensated for by an increase in the fair value of fixed-income debt instruments.

- <u>Longevity risk</u>

  The present value of the defined benefit obligation under the plan is calculated on the basis of the best estimate of the mortality of the beneficiary employees, both during and after employment. An increase in the life expectancy of the beneficiary employees leads to an increase in the plan liability.

- Salary risk

  The present value of the defined benefit obligation under the plan is calculated on the basis of the future salaries of the beneficiary employees. Salary increases for the beneficiary employees thus lead to an increase in the plan liability.

There were no plan adjustments in the current period.

Additional pension benefits were granted under the early retirement agreements to compensate for reductions in the statutory pension.

The development of the pension obligation and the plan assets is evidenced by actuarial reports.

The most important assumptions on which the actuarial valuation was based are presented in the following table:

Actuarial assumptions	2019	2018
Interest rate	1.00%	2.10%
Expected salary increase in percent	2.50%	2.50%
Pension increase	1.75%	1.75%

The beneficiaries' life expectancy was calculated on the basis of Prof. Klaus Heubeck's 2018 G mortality tables.

The amounts in connection with the defined benefit plans listed in the following table are recognized in total comprehensive income:

Figures in EUR k	2019	2018
Service costs		
Current service cost	2,586	2,859
Net interest expense	1,479	1,294
Contributions to defined benefit plans in the income statement	4,065	4,153
Remeasurement of net liability under a defined benefit plan		
Income (-) and losses (+) from plan assets	-881	1,144
Actuarial gains (-) and losses (+) from changes in life expectancy (mortality tables)	0	832
Actuarial gains (-) and losses (+) from changes in financial assumptions	25,913	-8,424
Actuarial gains (-) and losses (+) from experience adjustments	-294	-1,159
Components of amounts for defined benefit plans recognized in other comprehensive income	24,738	-7,607
Total	28,803	-3,454

The remeasurement of the net liability under one defined benefit plan is recognized in other comprehensive income.

The amount reported in the statement of financial position based on the Company's obligation under defined benefit plans is composed as follows:

Carrying amount of defined benefit obligations Figures in EUR k	2019	2018
Present value of covered defined benefit obligations	127,545	99,420
Fair value of plan assets	-29,633	-28,189
Net defined benefit obligation	97,912	71,231

The changes in the projected benefit obligation (DBO) during the fiscal year are presented below:

Development of defined benefit obligation Figures in EUR k	2019	2018
Opening balance of defined benefit obligation	99,420	105,540
Service costs	2,586	2,859
Interest expenses	2,070	1,781
Gains (-) and losses (+) from remeasurement:		
Actuarial gains and losses from changes in life expectancy (mortality tables)	0	832
Actuarial gains and losses from changes in financial assumptions	25,913	-8,424
Actuarial gains and losses from experience adjustments	-294	-1,159
Benefits paid	-1,957	-1,949
Other payments	-193	-60
Closing balance of defined benefit obligation	127,545	99,420

The relevant actuarial assumptions used for calculating the defined benefit obligation are the discount rate, expected salary and expected pension increases and mortality rates.

The sensitivity analyses presented below were based on reasonably possible changes in the relevant assumptions as of the reporting date with the other assumptions remaining unchanged.

- If the discount rate were to rise (fall) by 1%, the defined benefit obligation would decline by EUR 23,891k (prior year: EUR 17,254k) (rise by EUR 32,622k (prior year: EUR 23,136k)).
- If the expected salary increase were 0.5% higher (lower), the defined benefit obligation would increase by EUR 528k (prior year: EUR 433k) (decline by EUR 504k (prior year: EUR 410k)).
- If the expected pension increase were 0.5% higher (lower), the defined benefit obligation would increase by EUR 1,593k (prior year: EUR 1,316k) (decline by EUR 1,451k (prior year: EUR 1,204k)).
- If life expectancy were to fall (rise) by one year, the defined benefit obligation would decline by EUR 2,771k (prior year: EUR 2,659k) (rise by EUR 3,119k (prior year: EUR 2,962k)).

The above sensitivity analysis as of 31 December 2019 shows how the present value of the commitment would change in response to a change in the actuarial assumptions. Correlations between the individual assumptions were not taken into account. When one assumption was varied, the other assumptions were kept unchanged.

In the above sensitivity analysis, the present value of the defined benefit obligation was determined as of the reporting date using the projected unit credit method, the same method used to calculate the defined benefit obligation recognized in the consolidated statement of financial position.

The plan assets measured at fair value developed as follows during the fiscal year:

Development of plan assets Figures in EUR k	2019	2018
Opening balance of plan assets measured at fair value	28,189	28,644
Interest income	591	487
Gains (+) and losses (-) from remeasurement:		
Income/expense from plan assets	881	-1,144
Contributions by employer (-)/refunds to employer (+)	-28	202
Benefits paid	0	0
Closing balance of plan assets measured at fair value	29,633	28,189

The actual income (+)/expense (-) from the plan assets amounted to EUR 1,472k (prior year: -EUR 657k).

The main investment classes of the plan assets as of 31 December 2019 are presented in the following table:

Main investment classes of plan assets Figures in EUR k	2019	2018
Debt instruments	19,456	19,197
Equity instruments	5,156	4,520
Real estate and infrastructure funds	4,460	3,126
Cash and cash equivalents	533	1,268
Employer's pension liability insurance	28	78
Total	29,633	28,189

The debt instruments reflect a diversified structure of public-sector bonds, government-guaranteed bonds, covered bonds and corporate bonds. The fair values of the CTA's equity and debt instruments were determined on the basis of prices quoted in active markets.

The investment strategy and thus also the management of risk are determined by the fund's investment policy and are resolved at investment committee meetings.

The pension fund's policy document contains the following risk management guidelines:

- A maximum of 20% of the fund's assets may be invested in shares, subscription rights, participation certificates similar to shares, etc.

- A maximum of 10% of the fund's assets may be invested in high yield and emerging markets bonds.

- A maximum of 15% of the fund's assets may be invested in property investments.

Analyses are performed at regular intervals to determine the target portfolio structure for the individual plan asset holdings. In this connection, disbursements in respect of pension payments are also taken into account in regular liquidity planning.

The average term of the defined benefit obligation as of 31 December 2019 was 22 years (prior year: 21 years).

The following maturities of the undiscounted payments for defined benefit pensions and similar obligations are expected in subsequent years:

Expected payments for pensions and similar obligations Figures in EUR k	2019	2018
Less than 1 year	2,211	1,703
Between 1 and 5 years	10,951	8,649
Between 5 and 10 years	18,912	15,891
Total	32,074	26,243

In the coming fiscal year, the Group expects to make a contribution amounting to EUR 661k (prior year: EUR 0k) to the defined benefit plan.

6.8. Other provisions

A summary of other provisions is presented in the following statement of changes in provisions.

Figures in EUR k	As of 1 Jan 2019	Imputed interest	Allocation	Utilization	Reversal	As of 31 Dec 2019
Other personnel-related obligations	4,521	166	1,138	-1,429	-52	4,344
Site restoration, demolition obligations, etc.	19,229	162	2,331	-32	-16	21,674
Obligations arising from litigation, liability, etc.	274	0	1	0	0	275
Other obligations	17,210	168	9,362	-5,652	-277	20,811
Total	41,234	496	12,832	-7,113	-345	47,104

If the effect of discounting non-current provisions is material, the provisions are recognized at the present value of the expected future cash flows.

Other personnel-related obligations primarily include provisions for early retirement, phased retirement and long-service award obligations.

Early retirement obligations already based on an agreement are calculated with a discount rate of 0.3% (prior year: 0.5%) and an expected annual increase in income of 2.5% (prior year: 2.5%).

Provisions for phased retirement take account of obligations under phased retirement agreements. They are recognized at present value using a discount rate of 0.2% (prior year: 0.1%) and an expected annual increase in income of 2.5% (prior year: 2.5%).

Long-service award obligations are calculated using a vested benefit trend of 2.5% (prior year: 2.5%) and a discount rate of 0.7% (prior year: 1.2%).

The obligations for site restoration and demolition include obligations caused by the retirement of facilities. The major item is the obligation to retire a facility in 2052. This obligation is recognized at present value, applying a discount rate of 0.35% (prior year: 0.9%).

The obligations for litigation include legal costs and risks from existing contractual relationships.

Other obligations include processing obligations regarding waste not yet disposed of as of the reporting date. Measurement uses the expected costs of the thermal recycling of waste volumes minus the energy revenue resulting from incineration. Other non-current liabilities are primarily due to provisions for obligations to take delivery of fiber residues.

An overview of the maturities of other provisions is presented below:

2019		
Figures in EUR k	Current	Non-current
Other personnel-related obligations	646	3,698
Site restoration, demolition obligations, etc.	172	21,502
Obligations arising from litigation, liability, etc.	275	0
Other obligations	12,011	8,800
Total	13,104	34,000

6.9 Liabilities

The following table shows the maturity structure of the contractual, undiscounted cash flows of interest and principal payments of liabilities to banks and other financial liabilities. The cash flows resulting from leases are presented in note 6.11.

Figures in EUR k	2019	2018
Liabilities to banks	412,543	420,858
Cash flows with a residual term of		
Up to 1 year	10,648	14,733
1 to 2 years	4,298	9,103
2 to 3 years	314,368	4,298
3 to 4 years	1,234	314,368
4 to 5 years	96,255	1,234
More than 5 years	2,134	98,389
Total expected cash flows	428,937	442,125
Other financial liabilities	116	107
Cash flows with a residual term of		
Up to 1 year	0	0
1 to 5 years	116	107
More than 5 years	0	0
Total expected cash flows	116	107

Liquidity needs are satisfied by credit lines from banks totaling EUR 95,000k. Of this amount, EUR 37,179k had been drawn down for the provision of bank guarantees as of 31 December 2019. These lines are also available among other things for short-term capital needs and the provision of collateral.

In August 2017, EEW Energy from Waste GmbH issued a promissory note loan of EUR 407,000k. The promissory note loan was issued with terms of 5, 7 and 10 years. The tranches with a term between 5 and 7 years bear variable interest based on the six-month EURIBOR. Additionally, a fixed margin of 1.00% to 1.20% is charged. These tranches account for EUR 316,000k. Further tranches with terms between 5 and 10 years of EUR 91,000k bear a fixed interest rate ranging between 1.2% and 2.3%. The promissory note loan is not collateralized.

The release of the transaction costs for the new promissory note loan was calculated using the effective interest method and deducted from liabilities to banks. In fiscal year 2019, this gave rise to an amount of EUR 244k being released (prior year: EUR 241k).

EUR 0k of the other non-current liabilities (prior year: EUR 2,480k) relates to onerous supply contracts of EEW GmbH identified during the purchase price allocation (PPA) in 2013. On the acquisition date, these contracts were valued in a direct cash flow projection and a corresponding liability was recognized. Current liabilities amount to EUR 1,860k (prior year: EUR 2,880k).

6.10 Financial instruments

The EEW Group is exposed to financial risks as a result of its operations. The EEW Group defines risk as unexpected events having a negative effect on the achievement of the stated aims and expectations. Risks having a major influence on the assets, liabilities, financial position and financial performance are relevant. The Group's risk management system analyzes various risks and attempts to minimize negative effects on the Group's financial position.

Risk management is performed in compliance with existing guidelines. For the measurement and management of material individual risks, the Group distinguishes between liquidity, credit and market risks.

Liquidity risk

Liquidity risk is the risk that present or future payment commitments cannot be met or can be met only on unfavorable terms. The Group generates liquidity predominantly from business operations.

The EEW Group's long-term financing is ensured by the current cash flows from operating activities and the availability of sufficient short and long-term debt finance.

At the EEW Group level, a consolidated and integrated liquidity forecast is prepared according to the most recent status of the business budget/forecasts, including additional special effects foreseeable in the short term.

<u>Analysis of maturities of financial liabilities</u>

For the maturity structure refer to note 6.9. Liabilities.

The EEW Group has not violated any payment terms with regard to its financial liabilities. No financial covenants under existing financing arrangements were agreed.

The non-discounted cash flows are subject to the condition that the repayment of liabilities relates to the earliest due date.

Credit risks

Credit risks arise due to the complete or partial default of a customer, for example owing to insolvency, and in relation to investment of funds. The maximum default risk is equal to the carrying amounts of all financial assets. Bad debt allowances on trade receivables and other receivables and impairment losses on assets are recognized according to group-wide uniform rules and cover all foreseeable credit risks.

As a part of risk management, minimum requirements for creditworthiness and upper limits for the exposure are specified for all business partners of the EEW Group.

Identifiable default risks in the receivables portfolio are taken into account by recognizing an adequate level of bad debt allowances. The development of the bad debt allowances on trade receivables and other assets is presented in note 6.4. Receivables.

As our customer portfolio is sufficiently diversified and our receivables management is stringent, there is no material credit risk relating to the EEW Group's trade receivables or finance lease receivables.

The Group concludes derivative financial instruments with financial institutions with investment grade ratings only and, as such, the credit risk from derivative financial instruments is not considered to be material. The Group currently does not use this instrument.

Market risks (interest rate and currency risks)

The EEW Group defines market risk as the risk of a loss which can arise as a result of a change in market parameters (currency, interest rate, price) relevant to valuation.

<u>Currency risks</u>

The Group primarily operates in the euro area. Minor currency risks arise from project business in Poland.

<u>Interest rate risks</u>

Interest rate risks can arise predominantly due to changes in market interest rates leading to changes in the expected cash flows. The EEW Group currently has no interest rate hedges.

<u>Other price risks</u>

Other price risks primarily arise from changes in market prices for raw materials, electricity and gas. However, the EEW Group does not hold any financial instruments which carry such risks. They therefore constitute operational risks.

Concentration risk

EEW has a customer base that is diversified across regions and customer categories and is therefore not exposed to any significant concentration risk.

Carrying amounts and fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see IFRS 13.9). The following table presents the carrying amounts and fair values of the financial assets:

31 Dec 2019	At fair value through OCI	At amortized cost	Carrying amount under IFRS 16	Total	
Figures in EUR k					
Item of the statement of financial position	Carrying amount	Carrying amount		Carrying amount	Fair value
Financial assets	26,988	10,004	0	36,992	36,992
Trade receivables and contract assets	0	85,513	0	85,513	85,513
Finance lease receivables	0	0	91,449	91,449	91,449
Other financial receivables	0	43,628	0	43,628	43,628
Cash and cash equivalents	0	152,816	0	152,816	152,816
Total	26,988	291,961	91,449	410,398	410,398

31 Dec 2018	At fair value through OCI	At amortized cost	Carrying amount in accordance with IAS 17	Total	
Figures in EUR k					
Item of the statement of financial position	Carrying amount	Carrying amount		Carrying amount	Fair value
Financial assets	17,656	17,453	0	35,109	36,316
Trade receivables	0	90,868	0	90,868	90,868
Finance lease receivables	0	0	99,388	99,388	99,388
Other financial receivables	0	3,432	0	3,432	3,432
Cash and cash equivalents	0	123,525	0	123,525	123,525
Total	17,656	235,278	99,388	352,322	353,529

The following table presents the carrying amounts and fair values of the financial liabilities:

31 Dec 2019 Figures in EUR k	At amortized cost	Total
Item of the statement of financial position	Carrying amount	Fair value
Liabilities to banks	412,543	416,748
Other financial liabilities	116	116
Trade payables	47,803	47,803
Total	460,462	464,667

31 Dec 2018 Figures in EUR k	At amortized cost	In accordane with IAS 17	Total
Item of the statement of financial position	Carrying amount	Carrying amount	Fair value
Liabilities to banks	420,858	0	420,858
Finance lease liabilities	0	4,450	4,450
Other financial liabilities	107	0	107
Trade payables	39,138	0	39,138
Total	460,103	4,450	464,553

The fair values of the financial instruments were calculated on the basis of the market information available as of the reporting date and using the methods and premises presented below. Under IFRS 13 they must be assigned to one of three levels of the fair value hierarchy.

The fair values of Level 1 financial instruments are determined on the basis of observable prices in active markets for identical assets and liabilities. At Level 2, the fair value is determined by inputs which can be derived from observable market values. Level 3 financial instruments are measured on the basis of inputs which cannot be derived from market data.

The fair value of equity instruments recognized at acquisition cost (financial assets) cannot be reliably determined due to the absence of active markets. This relates primarily to shares in non-consolidated subsidiaries, joint ventures and associates. The fair value is calculated using a discounted cash flow model based on the most recent available forecast. The underlying discount rate is derived from a risk-free market interest rate, adjusted by a suitable credit risk premium (Level 3).

In the case of trade receivables, other financial receivables and cash and cash equivalents the fair values are approximately equal to the carrying amounts of these financial instruments, owing to the short maturities.

The fair value of the receivables under finance leases are calculated using a discounted cash flow model. The underlying discount rate is derived from a risk-free market interest rate, adjusted by a suitable credit risk premium (Level 3).

The fair value of the liabilities to banks is calculated using a discounted cash flow model. The underlying discount rate is derived from a risk-free market interest rate, adjusted by a suitable credit risk premium. The credit risk premium is modeled taking market-like trends into account (Level 3). The carrying amount corresponds to the market value (Level 1).

Trade payables contains liabilities with short remaining terms, so that it may be assumed that the fair values are approximately equal to the reported carrying amounts.

Other liabilities comprise liabilities from cash pool arrangements with subsidiaries.

Net result from financial instruments by measurement category

The following table presents the net gains or losses from financial instruments taken to profit or loss by measurement category.

31 Dec 2019 Figures in EUR k	Interest	Impairments/ reversals	Investment income	Net gain/loss
Financial assets at fair value through OCI	0	0	1,129	1,129
Loans and receivables measured at amortized cost	985	-1,146	0	-161
Liabilities measured at amortized cost	-5,055	0	0	-5,055
Total	-4,070	-1,146	1,129	-4,087

31 Dec 2018 Figures in EUR k	Interest	Impairments/ reversals	Investment income	Net gain/loss
Financial assets at fair value through OCI	0	0	1,603	1,603
Loans and receivables measured at amortized cost	1,818	-251	0	1,567
Liabilities measured at amortized cost	-5,460	0	0	-5,460
Total	-3,642	-251	1,603	-2,290

Not included are in particular interest income and expenses from assets and liabilities outside the scope of IFRS 7 (unwinding of discounts on net pension provisions).

Sensitivity analysis

Interest rate risks arise from a change in the market interest rates which can have an effect on interest to be received or paid and on the market value of the financial instrument. This can result in corresponding effects on earnings and/or equity. Under IFRS 7, interest rate risks must be presented in a sensitivity analysis. This is based on the following assumptions:

The effect on earnings and/or equity determined in the sensitivity analysis relates to the portfolio as of the reporting date and shows the hypothetical effect for one year.

Changes in the market interest rate of non-derivative floating-rate financial instruments have an effect on net interest income and are considered in the earnings-related sensitivity analysis.

Changes in the market interest rate of non-derivative fixed-interest financial instruments which are recognized at amortized cost have no effect on earnings and/or equity and are therefore not considered in the sensitivity analysis. They are subject to an interest rate risk on re-investment, which is, however, not taken into account in the reporting-date sensitivity analysis.

A change of 0.5 percentage points in the level of interest rates as of the reporting date would have resulted in an improvement in net interest income of EUR 553k (prior year: EUR 831k) or a deterioration in net interest income of EUR 0k (prior year: EUR 0k), since an interest rate floor of 0.0% was contractually agreed.

Apart from the interest rate risk described above, the EEW Group is not subject to any other material market risks relating to financial instruments.

No material financial instruments denominated in a foreign currency are held as of the reporting date.

6.11 Leases

EEW as a lessee

In order to carry out its business operations, the Group primarily leases land, plant and machinery and vehicles. Expenses and cash outflows from leases in the current fiscal year are presented in the table below.

Figures in EUR k	2019
Short-term lease expense	1,306
Expense relating to leases of low-value assets	1,297
Expense for variable lease payments	0
Interest expense on lease liabilities	433
Payments of finance lease liabilities	2,467
Cash outflows for leases	5,503

The future undiscounted cash flows of the lease liabilities of EUR 12,191k in place as of 31 December 2019 are as follows:

31 Dec 2019	Minimum lease payments
Figures in EUR k	2019
Less than 1 year	2,770
1 to 5 years	6,599
More than 5 years	6,049
Total	15,418

In addition to the undiscounted cash flows, the prior-year figures also include the present value of the minimum lease payments.

31 Dec 2018	Minimum lease payments	Present value of minimum lease payments
Figures in EUR k	2018	2018
Less than 1 year	881	836
1 to 5 years	3,403	2,830
More than 5 years	1,038	784
Total	5,322	4,450
Less interest portion	-872	
Present value of minimum lease payments	4,450	4,450

EEW as lessor (finance leases)

The Group has constructed a facility, leased it out and taken on its operational management. The agreement has a total term of 13.5 years. As of the reporting date, receivables under finance leases amount to EUR 91,449k (prior year: EUR 99,388k), of which EUR 8,774k (prior year: EUR 7,939k) are current. The recognition of impairment losses on lease receivables was not necessary in 2019 or 2018.

Interest income from lease receivables was generated in the amount of EUR 7,968k (prior year: EUR 9,288k).

The lease receivables have the following maturity structure:

31 Dec 2019 Figures in EUR k	Undis-counted lease payments
Less than 1 year	15,907
1 to 2 years	15,908
2 to 3 years	15,907
3 to 4 years	15,908
4 to 5 years	10,605
Unguaranteed residual values	42,605
Total	116,840
As yet unrealized finance income	-25,391
Present value	91,449

31 Dec 2018 Figures in EUR k	Minimum lease payments	Present value of minimum lease payments
Less than 1 year	15,907	15,310
1 to 5 years	63,630	49,942
More than 5 years	10,605	6,813
Unguaranteed residual values	42,605	27,323
Total	132,747	99,388
As yet unrealized finance income	-33,359	
Present values	99,388	99,388

6.12 Capital management

The Group's objective is to strengthen its equity base by making use of attractive capital market conditions. EEW made dividend payments in the fiscal year in amounts in accordance with the dividend policy agreed with the owner.

For this, liquidity surpluses are identified within the framework of the liquidity planning.

7. Statement of cash flows

The cash flows from investing activities are calculated as the cash inflows from the disposal of assets and the cash outflows for investments in financial assets, property, plant and equipment and intangible assets. Approximately EUR 90,110k was invested in property, plant and equipment as well as in financial assets and intangible assets.

The cash outflow from financing activities is dominated by the dividend payment of EUR 41,400k to the shareholder of the parent company. In addition, dividends of EUR 13,166k were distributed to non-controlling interests.

The following table provides a reconciliation of the change in financial liabilities as recognized in the statement of financial position to the amounts presented in the statement of cash flows:

Financial liabilities Figures in EUR k	As of 1 Jan 2019	Change in cash and cash equivalents	Non-cash change	As of 31 Dec 2019
Non-current liabilities to banks	410,997	-4,750	244	406,491
Other non-current financial liabilities	107	8	1	116
Non-current financial liabilities	411,104	-4,742	245	406,607
Current liabilities to banks	9,861	-3,809	0	6,052
Other current financial liabilities	0	0	0	0
Current financial liabilities	9,861	-3,809	0	6,052
Lease liabilities	4,450	-2,900	10,641	12,191
thereof cash flow from operating activities		-433		
thereof cash flow from financing activities		-2,467		
Total	425,415	-11,451	10,886	424,850

Financial liabilities Figures in EUR k	As of 1 Jan 2018	Change in cash and cash equivalents	Non-cash change	As of 31 Dec 2018
Non-current liabilities to banks	419,282	-8,526	241	410,997
Other non-current financial liabilities	99	7	1	107
Non-current financial liabilities	419,381	-8,519	242	411,104
Current liabilities to banks	9,652	209	0	9,861
Other current financial liabilities	730	-730	0	0
Current financial liabilities	10,382	-521	0	9,861
Lease liabilities	5,083	-634	1	4,450
Total	434,846	-9,674	243	425,415

8. Contingent liabilities and other financial obligations

The other financial obligations mainly consist of capital expenditure commitments and current contracts placed.

Figures in EUR k	2019	2018
Obligations under rental and lease agreements	5,525	14,768
Other financial obligations	317,552	118,513
Total	323,077	133,281

A strict obligation for the Company to make additional contributions to CTA II applies in relation to HI-PENSION TRUST EEW-Fonds. Please refer to note 6.7 of the notes to the financial statements.

Otherwise, the risk of recourse under contingent liabilities is assessed as low. This estimate is based above all on the assessment of the creditworthiness of the primary obligors and on experience from previous fiscal years.

9. Related parties

Associates, joint ventures and non-consolidated subsidiaries as well as persons who have a significant influence on the financial and operating policies of EEW are designated as related parties. The latter include all key management personnel as well as their close family members.

BEHL, which holds all the shares in EEW Holding via Good Champion Investments Limited and BEHEIM as of 31 December 2019, is the ultimate parent company.

Note 3 Consolidation provides information about the Group's structure and the subsidiaries.

All business relationships with related parties were arranged on arm's length terms. Essentially, they relate to services and loans.

In the following overview, expenses and income with related companies and also receivables and liabilities as of the reporting date are listed. A loan of EUR 10,000k was issued to EBS Kraftwerk GmbH, Hürth. Furthermore, in 2019 a dividend of EUR 41,400k for fiscal year 2018 was distributed to the shareholder of the parent company and a loan of EUR 40,800k was disbursed to the shareholder of the parent company.

2019 Figures in EUR k	Goods delivered and services provided, interest income and dividends	Goods and services received and interest expenses	Receivables	Liabilities
BEHL Group	196	0	43,265	0
Non-consolidated subsidiaries	12,968	43	426	117
Joint ventures and associates	3,501	29,552	496	0

2018 Figures in EUR k	Goods delivered and services provided, interest income and dividends	Goods and services received and interest expenses	Receivables	Liabilities
BEHL Group	2,269	0	2,269	0
Non-consolidated subsidiaries	13,229	39	2,080	107
Joint ventures and associates	4,450	29,152	887	0

Non-consolidated subsidiaries

The cost of goods and services received from and interest expenses for non-consolidated subsidiaries essentially consist of general partner compensation. The income from goods delivered and services provided to and interest income from non-consolidated subsidiaries consists in particular of operational management fees.

Joint ventures and associates

The Group's relationships with joint ventures predominantly relate to expenses for waste incineration and slag disposal, income from waste disposal services rendered and operational management fees.

Shareholders

Income and receivables from the BEHL Group relate to interest income from loan receivables and other services rendered.

Related persons

The total remuneration of the management board amounts to EUR 2,278k in the reporting year (prior year: EUR 2,301k). This consists solely of payments due in the short term.

The members of the supervisory board received total remuneration of EUR 84k in fiscal year 2019 (prior year: EUR 84k). No transactions which must be reported have been concluded with members of the management board or persons related to them.

10. Auditor's fees

The other operating expenses item includes the fees of the statutory auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, amounting to EUR 561k (prior year: EUR 523k). EUR 455k (prior year: EUR 456k) of these expenses relate to audit services, EUR 60k (prior year: EUR 0k) to audit-related services and EUR 46k (prior year: EUR 67k) to other services.

11. Events after the reporting period

There were no events after 31 December 2019 that would be reportable in accordance with IAS 10 Events after the Reporting Period.

12. Management board

The general managers of EEW Holding are:

Bernard Kemper (Chairman)

Markus Hauck

Karl-Heinz Müller

Helmstedt, 16 March 2020

EEW Holding GmbH
The Management Board

Kemper	Hauck	Müller

GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2019

EEW Holding GmbH
Helmstedt
16 March 2020

Table of contents

1. Background of the Group

EEW Energy from Waste is Germany's market leader in the use of environmentally friendly energy from thermal waste recovery. EEW develops, builds and operates energy from waste plants. The Group's current 18 facilities in Germany and neighboring European countries generated energy from the incineration of around 4.7 million metric tons (mt) of waste in the reporting year. EEW transforms the energy contained in waste into process steam for industry, district heating for residential areas and eco-friendly electricity for the equivalent of around 700,000 households. With biogenic substances accounting for an average 50% of waste, EEW generates energy from renewable sources in accordance with the EEG ["Erneuerbare-Energien-Gesetz": German Renewable Energy Act]. At the same time, energy recovery from the waste incinerated in EEW's facilities helps reduce our carbon footprint and conserve primary raw materials.

The EEW Group is managed by the management board of EEW Holding GmbH, Helmstedt, Germany. EEW Holding GmbH holds 94% (directly) or 99.64% (including indirect holdings) of the shares in EEW Energy from Waste GmbH, Helmstedt, Germany. The management board and the EEW Group's other senior executives are primarily organized according to their functional responsibilities.

The EEW Group's activities are segmented from a geographical point of view. In terms of the technical design capacity of its plants, the EEW Group still leads the market in Germany with a share of approximately 15.9% (0.5% lower than in the prior year due to higher incineration capacities in Germany). It continues to have a market share of 100% in Luxembourg and its market share in the Netherlands grew from 4.8% to 7% following the first full year of operation of the third incineration line commissioned in Delfzijl.

In 2019, the EEW Group sold 1.8 TWh of electricity and about 3.0 TWh of heat and steam, the latter of which is normally sold under long-term agreements to local suppliers or directly to local end-customers.

In 2019, 13 facilities were operated as independent businesses and five facilities were managed by the EEW Group on the basis of long-term operational management agreements.

The German waste incineration market, comprised of almost 100 facilities, is highly fragmented. The largest groups of plant operators in Germany comprise municipalities or companies under the majority control of municipalities. There are also private-sector operators with several facilities (Remondis, MVV, Vattenfall, EnBW and RWE). In 2019, the total gross processing capacity of all waste incineration plants in Germany of approximately 26.5 million mt p.a. (internal EEW research) was matched by consistently high waste quantities, shaped largely by high volumes of commercial waste.

Figure 1: Overview of the plants operated by EEW in Germany,

the Netherlands and Luxembourg

(As of 31 December 2019, the Premnitz location had two plants)

[Übersetzung des Bildes: Own plants; Under operational management; Mecklenburg-Western Pomerania, Hanover, Netherlands, North Rhine-Westphalia, Luxembourg, Saxony, Thuringia, Hesse, Rhineland Palatinate, Bavaria]

The legal framework comprises approvals for production activities, environmental regulations, and tax, commercial and company law regulations. The EEW Group's management system is based on financial and technical indicators. The key parameters of financial reporting are revenue from waste and energy operations resulting from waste volume, electricity sales, steam sales and district heating sales, and the indicators EBITDA and cash flow. EBITDA in the income statement is calculated by adding depreciation and amortization to EBIT as a positive value. Cash flow is calculated as the change in the cash and cash equivalents items between the reporting dates of the current and prior fiscal years.

2. Economic report

2.1 Overall economic and industry-specific background

Market situation in 2019

This is the 10th consecutive year in which the German economy recorded growth; however, the pace of growth started to slow in 2019. Based on preliminary calculations by the German Federal Statistical Office, inflation-adjusted gross domestic product (GDP) was a mere 0.6% higher in 2019 than in the prior year. In the previous two years, inflation-adjusted GDP grew much more vigorously, by 2.5% in 2017 and 1.5% in 2018. Compared with the 10-year average rate of 1.3%, German economic growth was weaker in 2019. Growth in 2019 was boosted mainly by consumption: adjusted for inflation, private spending was 1.6% higher than in the prior year, while government spending was up by 2.5%. Private and government spending thus grew at a higher rate than in the two preceding years. On the output side of GDP, the economic development was a tale of two halves in 2019: construction grew most vigorously at 4.0%. Growth in the information and communication service industries and of financial and insurance services providers was also higher than average at 2.9% each. These developments contrasted with sharp declines across many industrial sectors: economic output in the manufacturing industry not including construction, which accounts for just over a quarter of the economy overall, declined by 3.6%. Weak production in the automotive industry contributed to the decrease.

For 2020, the federal government expects inflation-adjusted GDP to increase by 1.1%. This figures does not include the economic effects arising from the coronavirus pandemic, however. The underlying cyclical momentum will remain subdued in the first quarter of 2020 before gradually picking up steam over the further course of the year. The economic development will remain a tale of two halves, with a robust domestic economy propped up by rising incomes, tax breaks and generous government spending in stark contrast to the economically weak export-oriented industry. Industrial production is likely to recover slowly during the year, however. The headwinds from the international environment will abate in pace with a revival in global trade. The German economy should gain tangible momentum in the course of the year.

As in the prior year, the market situation in the waste disposal industry was characterized by consistently high waste quantities together with limited incineration capacities in Germany and the Netherlands in 2019.

Company development

The EEW Group's business strategy is built on several pillars. On the one hand, it attaches immense importance to continually optimizing the current facilities and improving operating processes. On the other hand, as part of its horizontal expansion the EEW Group is pursuing a growth strategy comprising the following action areas: project activities in the area of waste incineration, development of the new sewage sludge segment, development of products in the field of thermal waste recovery.

In connection with project activities in the area of waste incineration, two new construction projects are currently underway to secure the future of the location in the long term, boost energy efficiency and availability as well as meet the highest environmental standards. At the EEW location in Premnitz, a second grate firing line is currently being built to replace from 2021 the circulating fluidized bed firing currently in operation. This will reduce expenses for waste processing and for maintenance in the future. At the EEW location in Stapelfeld, a completely new plant is due to replace the existing waste incineration facility from 2022. Both investment projects ensure reliable regional waste disposal and also provide heating, steam and electricity supply at the respective locations.

The establishment of the sewage sludge segment was driven forward in the reporting year. In January 2020, at the EEW location in Helmstedt, the foundations were laid for construction of the first sewage sludge mono-incineration plant in Lower Saxony. Once commissioned in 2021, the plant will be able to thermally treat around 20% of Lower Saxony's sewage sludge. The Company is in the process of obtaining a permit to build a second plant in Stapelfeld. Synergies can be leveraged from the proximity to the waste incineration plants on site, with distinct advantages over standalone locations for sewage sludge incineration. For example, the vapors produced when drying the sludge can be disposed of in a much more environmentally friendly way and can even be used to boost the location's energy efficiency. In addition to the aforementioned project development activities, in October 2019, EEW filed an application for a permit to build and operate the planned sewage sludge mono-incineration plant in Stavenhagen in Mecklenburg-Western Pomerania. EEW Energy from Waste Delfzijl B.V. plans to expand the existing energy from waste plant at the Oosterhorn industrial estate in Delfzijl (Netherlands) with a fourth line in the immediate vicinity. This fourth line will be a sewage sludge mono-incineration plant. EEW is also investigating other locations so that it can respond to the significant rise in market demand with additional plants if necessary.

Moreover, EEW intends to drive forward the development of products in the area of waste incineration. Besides the economic benefits, product development also aims to enhance public perception of waste incineration. Developments relating to the improvement of the recycling and use of phosphate contained in sewage sludge ash are in the pipeline. The Company also aims to obtain additional valuable materials from the incineration residues.

2.2 Business performance

Overall, the favorable economic development in Germany had a positive effect on the waste market. Despite the decrease in GDP growth, the waste market was stable and the EEW Group was able to accept more waste than in the prior year thanks to higher plant availability. Prices were increased in all waste segments in the course of the year. Agreements with foreign customers, primarily in the UK, were honored again in 2019.

Waste sludge has been incinerated in EEW's plants since 2016 and the volumes accepted are steadily growing. The capacity bottlenecks that have persisted in the market since 2019, also due to the new Fertilizers Regulation, allowed the EEW Group to accept a record volume of 99 thousand mt of sewage sludge.

As far as energy is concerned, electricity, heating and steam underwent disparate developments in 2019. In 2019, the German electricity market was shaped by fluctuations and displayed a high and relatively balanced level compared with 2018. Forward prices for electricity were largely influenced by the development of the price of CO_2. Electricity prices on the spot markets were comparatively high in January and February 2019, but gave way later in the year as commodity prices decreased. From March 2019, the spot prices were thus on a low, but largely stable level. Prices for emission certificates in EU emissions trading rose sharply at the beginning of the second quarter of 2019 and peaked in July 2019 before leveling off in the following months. Prices on the carbon emissions market were driven by commodity prices and, above all, the discussions surrounding Brexit. Heating was stable; process steam saw fluctuations due to changing demand.

In 2019, EEW further improved the incineration performance of its plants. There was less unplanned downtime and downtime was shorter than average thanks to optimized plant operation. The availability factor and capacity factor increased in comparison to the prior year and resulted in higher throughput volumes and thus higher overall plant efficiency.

In 2019, developments on EEW's procurement market for raw materials, consumables and supplies were varied for the different products; however, there was an overall trend toward higher prices due to capacity shortages in both production and logistics. Prices for CO_2 certificates or requirements under immission control law that increase demand for products for flue gas cleaning also had an impact on the costs for thermal recycling. Long-term supply agreements with reliable partners ensure price and supply certainty for EEW. The Company also entered into new agreements in 2019, allowing it to benefit from declining prices, e.g., for caustic soda and heating oil. The risk stemming from the limited availability of sodium bicarbonate was mitigated by gradually securing new suppliers.

Overall, higher consolidated revenue from higher waste, operational management and energy revenue more than offset higher operating expenses, personnel expenses and amortization, depreciation and impairment, culminating in a year-on-year increase in earnings before taxes.

2.3 Assets, liabilities, financial position and financial performance

Financial performance

The consolidated financial statements for the fiscal year from 1 January to 31 December 2019 include the Company and its subsidiaries (EEW Group). The following tables comprise the presentation of the EEW Group according to IFRSs. The following section presents the development of earnings in 2019 in comparison to the prior year.

Figures in EUR k	2019	2018
Revenue	593,078	552,831
Own work capitalized	1,524	782
Other operating income	14,765	19,248
Cost of materials	237,760	232,643
Personnel expenses	95,447	91,165
Amortization, depreciation and impairment	95,974	89,984
Total other operating expenses	56,384	47,960
EBIT	123,802	111,109
Financial result	2,638	5,534
Earnings before taxes	126,440	116,643
Income taxes	-31,442	-38,855
Consolidated profit for the period	94,998	77,788
– thereof non-controlling interests	11,508	9,871
– thereof shareholders of EEW Holding GmbH	83,490	67,917

Income statement for the period from 1 January to 31 December 2019

Revenue (EUR 593.1m; prior year: EUR 552.8m) was primarily derived from the recovery and disposal of waste, the sale of the energy generated from it and the operational management of individual energy from waste plants. In 2019, revenue from the recovery and disposal of waste and the sale of the energy generated from it amounted to EUR 484.7m (prior year: EUR 449.3m) and from the operational management of individual plants to EUR 83.9m (prior year: EUR 82.9m). The prior year's revenue forecast was surpassed owing to the price increases in all waste segments.

The decrease in other operating income (EUR 14.8m; prior year: EUR 19.2m) is mainly the result of lower income from the reversal of provisions.

Cost of materials (EUR 237.8m; prior year: EUR 232.6m) includes services purchased (EUR 173.9m; prior year: EUR 174.1m) for freight, maintenance and inspection work and the expense of honoring fuel supply agreements and disposing of waste. The change against the prior year is due to lower maintenance expenses, among other things. In addition, cost of materials also comprises expenses for raw materials, consumables, and supplies (EUR 63.9m; prior year: EUR 58.5m), which are essentially driven by costs for fuel, flue gas cleaning supplies and other raw materials, consumables and supplies, as well as the disposal of residues. The level was higher than in the prior year owing to the significantly higher waste throughput and increases in the cost of the input materials.

Personnel expenses (EUR 95.4m; prior year: EUR 91.2m) include expenses for old-age pensions (EUR 3.7m; prior year: EUR 3.8m) in addition to current personnel costs. The rise in personnel expenses is attributable in part to an increase in headcount from 1,137 to 1,177 due to the hiring of commercial and technical specialists for current and future projects as well as trainees to ensure sufficient young talent in the EEW Group and tariff increases.

Other operating expenses (EUR 56.4m; prior year: EUR 48.0m) are primarily influenced by IT expenses, insurance premiums, audit and advisory fees, rents and leases, travel expenses, training costs, advertising and marketing costs and other operating expenses. Other operating expenses increased year on year due to a payment to a former shareholder in connection with a contractual tax clause. Audit and advisory fees, costs for IT, training courses and conferences and insurance premiums also increased.

Amortization and depreciation of EUR 96.0m (prior year: EUR 90.0m) include amortization of intangible assets of EUR 33.8m (prior year: EUR 34.2m).

The lower financial result of EUR 2.6m (prior year: EUR 5.5m) relates to lower interest income and a slight rise in interest expenses. The financial result also includes investment income of EUR 1.1m (prior year: EUR 1.6m).

The decrease in income tax expense (current and deferred taxes EUR 31.4m; prior year: EUR 38.9m) is mainly due to the remeasurement of the uncertain tax position, in particular due to the findings of the ongoing tax audit and resulting increase in out-of-period tax income. This more than offset the profit-related increase in current taxes. The current tax expense decreased from EUR 43.7m to EUR 36.6m accordingly. The decrease relates primarily to the tax group for income tax purposes since adjustments affecting taxes from prior years were made at this level. The effective tax rate decreased significantly due to out-of-period tax effects (25% compared with 33% in the prior year).

In the reporting period, EBIT of EUR 123.8m (prior year: EUR 111.1m) was achieved after deducting depreciation and amortization totaling EUR 96.0 m (prior year: EUR 90.0m) from EBITDA of EUR 219.8m (prior year: EUR 201.1m). This significant increase in EBIT year on year is largely due to higher revenue. First-time application of IFRS 16 resulted in higher depreciation of right-of-use assets of EUR 2.2m in 2019. This did not give rise to any significant effects on EBIT or EBITDA. After deducting the financial result and the tax result totaling EUR 28.8m (prior year: EUR 33.3m), consolidated profit comes to EUR 95.0m for the fiscal year (prior year: EUR 77.8m).

Financial position

The financing structure of EEW Energy from Waste GmbH remains unchanged in comparison with the prior year. The promissory note loan is divided into several tranches with terms of between 5 and 10 years with tranches bearing interest at both variable and fixed rates.

In fiscal year 2019, EEW Energy from Waste GmbH made a revolving credit facility for EUR 45.0m available to Good Champion, British Virgin Islands, as an advance distribution of the dividend of EUR 40.0m payable for fiscal year 2019. The loan to Good Champion will be assigned to EEW Holding GmbH in the year of distribution so that the latter can make the distribution.

Credit facilities of EUR 95.0m with banks, of which EUR 37.2m had been utilized as of the reporting date, are used to cover short-term liquidity requirements. These lines are available among other things for short-term capital needs and the provision of collateral.

Solvency was ensured during the entire fiscal year. Owing to the positive liquidity position as well as credit lines available in the short term, no risks to liquidity are identifiable. The EEW Group's financing structure is stable.

The subsidiaries are essentially financed by the cash pool operated by EEW Energy from Waste GmbH, or by the provision of funds based on appropriate liquidity agreements or loan agreements. Internal financing is strengthened by central working capital management.

ASSETS Figures in EUR k	2019	2018
Non-current assets		
Intangible assets	86,877	118,593
Property, plant and equipment	696,867	659,625
Financial assets	36,992	34,677
Receivables and other assets	88,956	109,809
Deferred tax assets	34,652	49,031
Total non-current assets	944,344	971,735
Current assets		
Financial assets	0	432
Inventories	24,367	22,818
Trade receivables	85,513	90,868
Other receivables and other assets	65,130	28,747
Total receivables and other assets	150,643	119,615
Cash and cash equivalents	152,816	123,525
Total current assets	327,826	266,390
Total assets	1,272,170	1,238,125

EQUITY AND LIABILITIES Figures in EUR k		2019	2018
Equity			
	Subscribed capital	1,000	1,000
	Capital reserves	275,900	273,034
	Other revenue reserves	61,768	42,893
	Profit or loss attributable to controlling interests	83,490	67,917
	Equity attributable to the shareholders of EEW Holding GmbH	422,158	384,844
	Non-controlling interests	62,785	64,735
Total equity		484,943	449,579
Non-current liabilities			
	Pension provisions	97,912	71,231
	Other provisions	34,000	31,441
	Liabilities to banks	406,491	410,997
	Other liabilities	15,981	14,702
	Deferred tax liabilities	94,864	121,847
Total non-current liabilities		649,248	650,218
Current liabilities			
	Tax provisions	1,045	672
	Other provisions	13,104	9,793
	Liabilities to banks	6,052	9,861
	Finance lease liabilities	2,379	662
	Investment grants	0	289
	Trade payables	47,803	39,138
	Income tax liabilities	41,289	50,051
	Other liabilities	26,307	27,862
Total current liabilities		137,979	138,328
Total equity and liabilities		1,272,170	1,238,125

Assets and liabilities

Total assets of the EEW Group rose from EUR 1,238.1m in the prior year to EUR 1,272.2m, mainly due to the higher consolidated profit for the period and the related increase in equity on the equity and liabilities side and higher cash and cash equivalents on the assets side. This is an increase of some EUR 34.0m on the prior year.
Cash flows from investing activities came to -EUR 82.2m in the reporting period. In addition to operating investments in existing plants, the EEW Group primarily invested in growth projects such as EVE 2 in Premnitz, the third incineration line in Delfzijl, the new MVA Stapelfeld plant and the sewage sludge mono-incineration plant in Helmstedt in 2019.

As of the reporting date, financial assets primarily comprise equity investments and loans to other investees and investors as well as non-consolidated subsidiaries. Non-current receivables (EUR 89.0m; prior year: EUR 109.8m) predominantly consist of receivables under finance leases (EUR 82.7m; prior year: EUR 91.4m).

Current receivables (EUR 150.6m; prior year: EUR 119.6m) primarily consist of trade receivables amounting to EUR 85.5m and income tax refund claims which decreased by EUR 5.6m to EUR 7.0m year on year. The increase in current receivables is mainly attributable to the disbursement of a short-term loan to Good Champion of EUR 40.0m.

Cash and cash equivalents increased by EUR 29.3m from EUR 123.5m at the start of the fiscal year to EUR 152.8m. Cash inflows are shaped in particular by the higher consolidated profit for the period.

The equity ratio rose by 1.8 percentage points from 36.3% to 38.1%. From today’s perspective, the EEW Group’s refinancing base is secure given the positive business prospects.

Non-current liabilities to banks mainly comprise the promissory note loan.

Cash flows from operating activities amounted to EUR 174.2m in the reporting period. The positive development in cash flows (up EUR 5.4m) largely stems from the higher revenue owing to price increases on the waste disposal market. The EUR 21.2m increase in cash outflows from investing activities to -EUR 82.2m is driven by investments in new waste and sewage sludge incineration plants. Cash flows from financing activities (-EUR 62.7m) are largely shaped by the dividends paid to the shareholder of the parent company and the non-controlling interests. As a result of the above, cash and cash equivalents increased by EUR 29.3m to EUR 152.8m as of year-end 2019.

3. Outlook, opportunities and risks

3.1 Outlook

The EEW Group's consolidated profit is largely shaped by current developments in the waste market and the corresponding capacity utilization of the plants. Quantities not secured by long-term contracts in the spot and commercial markets can be subject to significant fluctuations. The EEW Group expects the core markets to remain stable in 2020 since stable prices for commercial and industrial quantities in the waste market and constantly high waste volumes at the plants are forecast. EEW expects lower prices in specific electricity revenue on the spot market in 2020. Prices for electricity forward contracts will likely fall in 2020, which will be followed by comparatively higher price levels in 2021 and 2022. Sales volumes in the district heating segment will increase in 2020 due to higher volumes of heat supplied to new customers. The weather in the winter months continues to have a significant effect. Sales volumes of and revenue from process steam are expected to remain at roughly the same level. A further increase is expected in CO_2 emissions trading despite some volatility.

Overall, the EEW Group expects the financial performance indicators of revenue, EBITDA and cash flows to increase year on year in 2020.

Targets 2019	Profit/loss 2019	Target achievement 2019	Forecast for 2020
Total revenue (in EUR m)	593.1	Target exceeded	Moderate increase compared with 2019
Waste accepted (in thousands of metric tons)	4,717	Target slightly exceeded	Slight increase compared with 2019

3.2 Major opportunities and risks of future development

The federal government has set itself the objective of making the energy transition a driver of energy efficiency, modernization, innovation and digitalization in power and heat generation. Thus climate-friendly power generation is increasingly gaining in significance. While this development poses risks for waste incineration plants, it also presents opportunities as they can offer various system services for the power grid related to flexibilization. EEW's product range currently includes the supply of the minute reserve and revenue from avoided grid fees.

EEW's plants serve general social interests and must therefore be afforded special protection during the corona pandemic. The Company has taken numerous measures in undertaking this task (e.g., communication of basic hygiene rules and rules of conduct, provision of protective gear, various organizational measures). Based on the information currently available, the EEW Group does not believe that the coronavirus pandemic will have any significant effects on operations. Overall, we conclude that the incineration of waste and generation of energy will remain stable thanks to our regionally diverse facilities and our customer structure. This assessment may naturally require revision in the coming weeks and months.

Key indicators for all known risks are systematically analyzed and the necessary measures for risk prevention are initiated as required. There is monthly reporting in particular on plant operation, waste throughput, electricity sales and also on the development of revenue and costs which is supplemented by weekly operating reports from the plants.

Apart from the operational risks arising from the operation of facilities, risks arise in particular from developments in the respective markets for waste and energy marketing. In our opinion there are no risks endangering the Group's continued existence at this time. The risk situation is regarded as manageable thanks to the mechanisms installed. The major risks are explained below.

Market risks

GDP growth stagnated in Germany in the fourth quarter of 2019 and came to just 0.6% for the year as a whole. While there are no signs that the waste market will go into recession at present, if the economy weakens further, this will not leave the waste market unscathed. Measures have already been taken and preparations made to compensate for the potential effects of Brexit. Additional risks arise among other things from the volatility of the energy market. The electricity market is particularly susceptible to considerable earnings fluctuations as some quantities of electricity can only be sold in the short term given the process requirements of waste incineration. EEW's internal energy risk committee takes these special considerations into account in a marketing strategy which it issues several times a year making recommendations on the use of opportunities and minimization of risks. Based on this marketing strategy, annual, quarterly and monthly volumes are traded on the forward market and volumes sold on the spot market. Price volatilities on the forward and spot markets are estimated using statistical analysis instruments. The probability of changes in our sales markets resulting in positive or negative effects is high. Cyclical fluctuations in particular bear risks for business development. The plants operate with a high proportion of fixed costs. Changes in the sales markets could thus have a major impact on revenue and thus on earnings. Expiring long-term contracts can have positive or negative effects on earnings. Impending contract renewals and associated contract periods are carefully reviewed in good time with a view to potential economic impacts.

Operational risks

Possible operational disruptions and plant outages can have a strongly negative effect on financial performance. The facilities are regularly checked and maintenance is performed in order to minimize these risks. Employees are also trained intensively. Extensive health and safety measures are in place. In 2019, furthermore, all German plants were recertified in audits in accordance with DIN EN ISO 9001/14001/50001 and 18001. If longer, unscheduled plant outages nevertheless occur, it is possible to redirect waste in the EEW facility network with internal and external warehouse capacities. The probability of these risks occurring is moderate. There is insurance to cover various operational risks such as fire and lightning.

With regard to residual waste disposal, long-term agreements on slag and filter dust are in place with partners to ensure reliable disposal.

For the procurement of raw materials, consumables and supplies, EEW expects environmental policies to continue to have a growing influence on the prices of various input materials in 2020. The Company will be able to benefit from long-term contracts in this regard, some of which have already been concluded. Due to the severe shortage of drivers, there is no sign of any relief in the logistics market. In order to improve its own bargaining position, EEW also participates in purchasing pools with other companies on the market. By constantly monitoring the procurement markets, EEW can respond swiftly to market developments and identify new suppliers, products and technologies.

Regulatory risks

The EEW Group’s revenue is dependent on the one hand on the development of the waste and energy market and on the other on the development of listed electricity prices. The legal framework for EEW’s “energy from waste” business model is defined by EU regulations as well as national laws and ordinances including, for example, the VerpackG [“Verpackungsgesetz”: German Packaging Act], the GewAbfV [“German Commercial Waste Ordinance”: Gewerbeabfallverordnung] and the AbfKlärV [“Klärschlammverordnung”: German Sewage Sludge Ordinance]. With regard to the German Commercial Waste Ordinance, EEW expects only a minor impact on waste quantities again in 2020. This is due in particular to the fact that the waste management industry has only made minimal investments in new sorting capacities to date as well as the fact that the law is still not expected to be consistently enforced. EEW therefore does not expect to be able to gage the impact of the German Commercial Waste Ordinance on waste quantities until the end of 2020 at the earliest. EEW is critically monitoring political discussions surrounding the topic of CO_2 taxation. The federal government’s climate action package provides for carbon emission pricing, but has exempted waste incineration from the obligation to pay these charges. However, there is a risk that additional costs could arise that would not be able to be fully recharged to customers. The amended German Packaging Act requires considerably higher volumes of waste to be recycled. These highly calorific volumes of waste have primarily been incinerated in the cement industry to date. As a result, EEW does not expect the German Packaging Act to have a significant effect on the waste incineration business in 2020.

The Netherlands introduced import tax in 2020. EEW has taken action, including renegotiating with customers and reducing quantities in the UK, to keep the economic effects for EEW to a minimum.

Legal risks

Due to the potential for different legal views of agreements between EEW companies and contractual partners, legal risks can materialize, resulting in the necessity to clarify disputes with the help of court or arbitration proceedings. The outcome of such proceedings can in some cases have a significant effect on the operating results of the individual companies. These risks are limited by the early involvement of the Group's own legal department in the negotiation and conclusion of major contracts. Appropriate provisions at a suitable level are recognized to provide for possible financial burdens from legal disputes.

Management of receivables default risks and liquidity management

Incoming payments on outstanding accounts are regularly reviewed and reminders sent out within the framework of receivables management. Furthermore, credit reports on customers are obtained. Close consultation is maintained between sales and receivables management. EEW currently invests most of its available cash and cash equivalents in time deposits with short notice periods.

Opportunities

Several areas offer growth and related opportunities to boost the EEW Group's earnings in the relevant target waste disposal and energy markets. The new plant to replace MVA's existing facility in Stapelfeld will cement the EEW Group's significance in the Hamburg and Schleswig-Holstein regions. The investment in Premnitz is fueling further market penetration and leading to slightly higher incineration capacities in the Brandenburg region.

The increasing importance of thermal recycling of sewage sludge is giving rise to new opportunities. Besides various hazardous substances, sewage sludge, as a residual product of sewage treatment in sewage plants, contains phosphorous, which is used in the manufacture of agricultural fertilizers. The start of construction of the sewage sludge mono-incineration plants at EEW's Helmstedt and Stapelfeld locations will allow the EEW Group to participate in this development. EEW also supports research relating to the improvement of the recycling and use of phosphate contained in sewage sludge ash. Fertilizer manufacturers are seen as interesting cooperation partners in this context.

Within the EEW Group, optimization can be achieved through operational improvements at the plants: there are plans to obtain additional valuable materials from waste incineration residues (e.g., recovering zinc from flue gas cleaning residues, employing CO_2 to recover the sodium bicarbonate used in flue gas cleaning). Digitalization will also contribute to process optimization and efficiency enhancements at EEW and it is actively preparing by launching a company-wide digital campaign.

Opportunities at the level of EU legislation and positive effects from the shutdown of coal-fired power stations, mechanical biological waste treatment plants and potential from China's import ban are offset by risks stemming from the German Commercial Waste Ordinance, new capacities and the planned increase in the use of RDF in cement plants. Waste quantities are expected to rise further due to stabilizing factors, such as increased consumption and a growing population. In addition to the EfW industry's main pillar of ensuring waste disposal, the generation of energy from waste is becoming increasingly significant in light of the EU's new climate strategy. EEW therefore expects a balanced market for the German EfW industry in the long term.

Helmstedt, 16 March 2020

EEW Holding GmbH

The Management Board

Kemper Hauck Müller

Engagement Terms, Liability and Conditions of Use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement agreement for the audit of these financial statements including the General Engagement Terms for "Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaftern" [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

DokID: 208140 LOM6WN0

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

All rights reserved. This form may not be reprinted, either in whole or in part, or copied in any manner, without the express written consent of the publisher.
© IDW Verlag GmbH · Tersteegenstraße 14 · 40474 Düsseldorf

Lizensiert für / Licensed to: Mitgliedsunternehmen des Verbunds von EY-Gesellschaften | 4309421

DokID: 208140 LOM6WN0

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor’s negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor’s report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor’s written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor’s claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Lizensiert für / Licensed to: Mitgliedsunternehmen des Verbunds von EY-Gesellschaften | 4309421