EEW Holding GmbH
Helmstedt

Short-form audit report
Consolidated financial statements and group management report
31 December 2020

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

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Independent auditor’s report

Financial reporting

Engagement Terms, Liability and Conditions of Use

General Engagement Terms

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.

Translation from the German language

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 income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2020 to 31 December 2020, consolidated statement of financial position as at 31 December 2020, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2020 to 31 December 2020, 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 2020 to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the 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 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, 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, 19 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2020

EEW Holding GmbH
Helmstedt

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CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated income statement

Figures in EUR k		2020	2019
Revenue from contracts with customers	**5.1**	**629,292**	**593,078**
Own work capitalized		**1,426**	**1,524**
Other operating income	**5.2**	**18,626**	**14,765**
Cost of materials	**5.3**		
Cost of raw materials, consumables and supplies and of purchased goods		65,668	63,871
Cost of purchased services		190,731	173,889
Total cost of materials		**256,399**	**237,760**
Personnel expenses	**5.4**		
Wages and salaries		82,275	77,970
Social security costs		13,556	13,752
Pension costs		4,740	3,654
Other personnel expenses		34	71
Total personnel expenses		**100,605**	**95,447**
Amortization, depreciation and impairment			
Amortization and impairment of intangible assets		29,248	33,771
Depreciation and impairment of property, plant and		68,804	62,203
Total amortization, depreciation and impairment		**98,052**	**95,974**

Consolidated income statement

Figures in EUR k		**2020**	**2019**
Other operating expenses	**5.5**	**66,580**	**56,384**
EBIT		**127,708**	**123,802**
Interest and similar income		7,613	8,953
Interest and similar expenses		6,882	7,444
Share of results of associates and joint ventures		1,324	1,129
Financial result	**5.6**	**2,055**	**2,638**
Earnings before taxes		**129,763**	**126,440**
Income taxes	**5.7**		
Current taxes		-41,494	-36,599
Deferred taxes		5,632	5,157
Total income taxes		**-35,862**	**-31,442**
Consolidated profit for the period		**93,901**	**94,998**
– thereof non-controlling interests		15,068	11,508
– thereof shareholders of EEW Holding GmbH		78,833	83,490

2. Consolidated statement of comprehensive income

Figures in EUR k	2020	2019
Consolidated profit for the period	**93,901**	**94,998**
Items that will not subsequently be reclassified to profit or loss		
Actuarial gains/losses	-10,641	-24,738
thereof income tax	3,203	7,446
Changes in the fair value of equity instruments	15,696	9,354
Items that may subsequently be reclassified to profit or loss under certain conditions		
Exchange differences on translation of foreign operations	9	4
– thereof unrealized changes	9	4
Other comprehensive income	**8,267**	**-7,934**
Total comprehensive income	**102,168**	**87,064**
– thereof non-controlling interests	15,022	11,300
– thereof shareholders of EEW Holding GmbH	87,146	75,764

3. Consolidated statement of financial position (assets)

ASSETS **Figures in EUR k**		**31 Dec 2020**	**31 Dec 2019**
Non-current assets			
Intangible assets	**6.1**	**60,623**	**86,877**
Property, plant and equipment	**6.1**	**754,491**	**696,867**
Financial assets	**6.2**	**52,686**	**36,992**
Receivables and other assets			
Finance lease receivables (lessor)	**6.11**	73,005	82,675
Other receivables and other assets		5,846	6,281
Total receivables and other assets	**6.4**	**78,851**	**88,956**
Deferred tax assets	**6.5**	**38,908**	**34,652**
Total non-current assets		**985,559**	**944,344**
Current assets			
Inventories	**6.3**	**23,663**	**24,367**
Receivables and other assets			
Trade receivables and contract assets		79,729	85,513
Tax refund claims		6,098	7,040
Finance lease receivables (lessor)	**6.11**	9,670	8,774
Other receivables and other assets		56,942	49,316
Total receivables and other assets	**6.4**	**152,439**	**150,643**
Cash and cash equivalents		**145,517**	**152,816**
Total current assets		**321,619**	**327,826**
Total assets		**1,307,178**	**1,272,170**

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

EQUITY AND LIABILITIES Figures in EUR k		31 Dec 2020	31 Dec 2019
Equity			
Subscribed capital	6.6	**1,000**	**1,000**
Capital reserves	6.6	**275,900**	**275,900**
Other revenue earnings/profit or loss carryforward	6.6	**106,369**	**61,768**
Profit or loss attributable to controlling interests	6.6	**78,833**	**83,490**
Equity attributable to the shareholders of EEW Holding GmbH		**462,102**	**422,158**
Non-controlling interests	3	**62,383**	**62,785**
Total equity		**524,485**	**484,943**
Non-current liabilities			
Pension provisions	6.7	109,721	97,912
Other provisions	6.8	34,436	34,000
Liabilities to banks	6.9	406,740	406,491
Lease liabilities	6.11	9,255	9,812
Other financial liabilities	6.9	301	116
Investment grants		6,448	4,611
Other liabilities		2,034	1,442
Deferred tax liabilities	6.5	**90,285**	**94,864**
Total non-current liabilities		**659,220**	**649,248**
Current liabilities			
Tax provisions		836	1,045
Other provisions	6.8	12,815	13,104
Liabilities to banks	6.9	1,286	6,052
Lease liabilities	6.11	2,238	2,379
Trade payables		47,225	47,803
Income tax liabilities		35,930	41,289
Other liabilities		23,143	26,307
Total current liabilities		**123,473**	**137,979**
Total equity and liabilities		**1,307,178**	**1,272,170**

5. Consolidated statement of cash flows

	Figures in EUR k		2020	2019
	Profit for the period		**93,901**	**94,998**
+/-	Tax expense/income	5.7	35,862	31,442
-	Investment result		-1,324	-1,129
-	Interest income		-7,613	-8,953
+	Interest expenses		6,882	7,444
+	Amortization, depreciation and impairment	6.1	98,052	95,974
+/-	Increase/decrease in pension provisions		3,512	8,151
+/-	Increase/decrease in tax provisions		-209	373
+/-	Increase/decrease in other provisions		-2,562	3,151
+/-	Other non-cash expenses and income		-3,327	-12,846
+/-	Losses/income on disposals of property, plant and equipment		1,272	1,147
-/+	Increase/decrease in inventories		704	-1,549
-/+	Increase/decrease in trade receivables		5,784	5,355
-/+	Increase/decrease in other assets and other receivables		-38,218	-21,162
+/-	Increase/decrease in trade payables		-578	8,665
+/-	Increase/decrease in other liabilities		-735	-5,745
+	Dividends received		1,324	1,129
+	Interest received		7,414	8,939
-	Interest paid		-6,026	-5,809
-	Income tax paid/refunded		-45,911	-35,411
	Cash flows from operating activities		**148,204**	**174,164**
+	Cash received from disposals of intangible assets	6.1	457	353
-	Cash paid for investments in intangible assets	6.1	-3,450	-2,408
+	Cash received from disposals of property, plant and equipment	6.1	161	148
-	Cash paid for investments in property, plant and equipment	6.1	-122,655	-87,702
+	Cash received from disposals of financial assets	6.2	2	7,449
	Cash flows from investing activities		**-125,485**	**-82,160**
+/-	Change in capital reserves		0	2,866
-	Repayments of short-term borrowings	7	-4,766	-3,809
+	Cash received from long-term bank loans	7	185	9
-	Repayments of long-term borrowings	7	0	-4,750
-	Cash outflow for the repayment of lease liabilities	7	-2,820	-2,467
+/-	Dividends paid (-) to the shareholder of the parent company		-7,300	-41,400
-	Dividends paid to non-controlling interests		-15,326	-13,166
	Cash flows from financing activities		**-30,027**	**-62,717**
	Change in cash and cash equivalents		**-7,308**	**29,287**
	Cash and cash equivalents at the beginning of the fiscal year		**152,816**	**123,525**
+/-	Change in cash and cash equivalents due to exchange rate changes		9	4
	Cash and cash equivalents at end of the fiscal year		**145,517**	**152,816**

6. Consolidated statement of changes in equity

Figures in EUR k	Subscribed capital	Capital reserves	Other revenue reserves profit/profit or loss carryforward/consolidated profit	Reserve for the currency translation of foreign companies
As of 1 Jan 2020	**1,000**	**275,900**	**170,987**	**38**
Consolidated profit for the peric	0	0	78,833	0
Other comprehensive income	0	0	0	9
Total comprehensive income	**0**	**0**	**78,833**	**9**
Dividends paid	0	0	-47,300	0
Capital contribution	0	0	0	0
Other reclassifications	0	0	98	0
As of 31 Dec 2020	**1,000**	**275,900**	**202,618**	**47**

Figures in EUR k	Subscribed capital	Capital reserves	Other revenue reserves profit/profit or loss carryforward/consolidated profit	Reserve for the currency translation of foreign companies
As of 1 Jan 2019	**1,000**	**273,034**	**128,813**	**34**
Consolidated profit for the peric	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**

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
-33,417	**7,650**	**422,158**	**62,785**	**484,943**
0	0	78,833	15,068	93,901
-7,335	15,639	8,313	-46	8,267
-7,335	**15,639**	**87,146**	**15,022**	**102,168**
0	0	-47,300	-15,326	-62,626
0	0	0	0	0
0	0	98	-98	0
-40,752	**23,289**	**462,102**	**62,383**	**524,485**

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
-17,052	9,322	-7,726	-208	-7,934
-17,052	**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
-33,417	**7,650**	**422,158**	**62,785**	**484,943**

CONSOLIDATED 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 2020, 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 2020 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 2020 through 31 December 2020 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 19 March 2021. 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.

Revenue from contracts with customers

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
Energy marketing	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 energy marketing category, the Company distinguishes between electricity, heat and steam as well as other energy contracts. As a rule, long-term contracts are concluded for heat and steam supply 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 energy marketing 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 components
Energy marketing	Yes – distinct and determinable on a monthly basis	• Payment terms customary in the industry • No financing components
Operational management	Yes – distinct and determinable on a monthly basis	• Payment terms customary in the industry • No financing components

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. Transaction costs are also included where applicable.

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 from governments 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 recognized as an asset, 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

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.

Basis of preparation

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.

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

- 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.
- Right-of-use assets are stated under property, plant and equipment.
- Lease liabilities are recognized as a separate line item in the statement of financial position.

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.

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.

Basis of preparation

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.

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.

Impairment matrix	**31 Dec 2020**	**31 Dec 2019**
Status	**Expected credit loss rates (weighted average)**	
Not due		
1 to 30 days past due	0.00%	0.01%
31 to 60 days past due	0.00%	0.01%
61 to 90 days past due	0.00%	0.01%
More than 90 days past due	2.17%	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.

Provisions are also recognized for contracts under which the unavoidable costs for contractual fulfillment are higher than the expected economic benefits. They are measured at the lower of the contractual fulfillment costs and any compensation or penalties arising from failure to fulfill it.

The reversal of provisions is posted to other operating income.

Basis of preparation

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.

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

Effects of the coronavirus pandemic

The social and economic environment was shaped by the coronavirus pandemic in fiscal year 2020 and in the first few months of 2021. The German Federal Government classified waste disposal as an essential service. In spite of the adverse economic development in Germany and Europe resulting from the coronavirus pandemic, the waste market did not experience any significant negative effects in fiscal year 2020. The EEW Group also recorded a slight increase waste quantities compared to the prior year. The operations of the EEW facilities were ensured by way of extensive hygiene and organizational measures.

Thermal waste recovery and energy production of the EEW Group was ensured via these measures as well as via the regionally diversified facilities and the diversified customer structure.

Our liquidity is not in jeopardy since there are currently no indications that the payment behavior of our customers will deteriorate in the future.

EEW's economic situation is stable overall. There are therefore no impairment risks.

This assessment is based on the information available at present. If the pandemic situation worsens, this could have a negative impact on the EEW Group.

Basis of preparation

Effects of new or revised accounting standards and interpretations

Standard/interpretation			Mandatory application in the EU	Endorsement
Amendment	IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)	1 Jan 2020	Yes
Amendment	IAS 1 and IAS 8	Definition of material	1 Jan 2020	Yes
Amendment	Conceptual Framework	Amendments to References to the Conceptual Framework	1 Jan 2020	Yes
Amendment	IFRS 3	Definition of a business	1 Jan 2020	Yes
Amendment	IFRS 16	COVID-19-related lease concessions	1 Jun 2020	Yes

The application of these standards did not have any material effect on the consolidated financial statements for the EEW Group.

<u>New accounting standards and interpretations not yet applied</u>

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	Endorsement
Amendment	IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 Jan 2021	Yes
Amendment	IFRS 3	Reference to the Conceptual Framework	1 Jan 2022	No
Amendment	IAS 16	Proceeds before Intended Use	1 Jan 2022	No
Amendment	IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 Jan 2022	No
Amendment	IFRS 1, IFRS 9, IFRS 16	Annual Improvements to IFRSs 2018-2020 Cycle	1 Jan 2022	No
Amendment	IAS 1	Classification of Liabilities as Current or Non-Current	1 Jan 2023	No
Amendment	IAS 1	Disclosure of Accounting Policies	1 Jan 2023	No
Amendment	IAS 8	Definition of Accounting Estimates	1 Jan 2023	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 2020	Share of capital as of 31 Dec 2019
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	Neunkirchen *	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 included in the notes to the consolidated financial statements of EEW Holding 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.

Consolidation

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 2019 in EUR k	Profit or loss for* 2019 in EUR k
Non-consolidated subsidiaries				
EEW Vermögensverwaltungs-GmbH	Helmstedt	100	9	2
Kraftwerk Schwedt Verwaltungs-gesellschaft mbH	Schwedt/Oder	100	141	8
EEW Energy from Waste Stavenhagen Verwaltungs GmbH	Stavenhagen	100	147	6
EEW Verwaltungs GmbH	Helmstedt	100	24	0
TREA Breisgau Betriebsgesellschaft mbH	Eschbach	75	267	24
Joint ventures				
EBS Kraftwerk GmbH	Hürth	50	1,041	561
Entsorgungszentrum Salzgitter GmbH	Salzgitter	50	5,565	995
Associates				
AVA Velsen GmbH	Saarbrücken	49	5,115	0
TREA Breisgau Energieverwertung GmbH	Eschbach	30	845	28

* Most recent financial statements according to German GAAP (HGB)

The revenue and total assets of the non-consolidated subsidiaries amount to 2.2% and 0.2%, 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	
		2020	2019	2020	2019	2020	2019
MHKW Rothensee GmbH	Magdeburg	49%	49%	13,569	10,081	53,184	53,153
Various insignificant subsidiaries with non-controlling interests						9,199	9,632
Total non-controlling interests						**62,383**	**62,785**

The following table offers detailed information about Müllheizkraftwerk Rothensee GmbH (MHKW Rothensee GmbH) before consolidation (100%).

MHKW Rothensee GmbH Figures in EUR k	**2020**	**2019**
Revenue	85,653	79,209
Current assets	39,416	37,270
Non-current assets	127,491	132,927
Current liabilities	9,069	11,785
Non-current liabilities	49,704	50,344
Profit for the period attributable to the shareholders of EEW Holding	15,219	11,816
Profit for the period attributable to non-controlling interests	13,569	10,081
Total profit for the period	**28,788**	**21,897**
Other comprehensive income attributable to the shareholders of EEW Holding	-33	-78
Other comprehensive income attributable to non-controlling interests	-32	-76
Total other comprehensive income	**-65**	**-154**
Total comprehensive income attributable to the shareholders of EEW Holding	15,186	11,738
Total comprehensive income attributable to non-controlling interests	13,537	10,005
Total comprehensive income	**28,723**	**21,743**
Dividends paid to non-controlling interests	13,455	11,483
Cash flows from operating activities	44,116	35,042
Cash flows from investing activities	-6,133	-3,803
Cash flows from financing activities	-34,030	-33,793
Total cash flows	**3,953**	**-2,554**

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 2020.

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 it 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.

Foreign currency translation

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.:

	2020		2019	
	Average rate in EUR	Closing rate in EUR	Average rate in EUR	Closing rate in EUR
1 Polish zloty	0.22	0.22	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 507,441k; prior year: EUR 484,745k) and from the operational management of individual waste incineration facilities (EUR 87,796k; prior year: EUR 83,943k).

Revenue breakdown

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

Figures in EUR k	2020		
Revenue recognition	Revenue recognized at a point in time	Revenue recognized over time	Total
Type of goods or service			
Waste	371,299	0	371,299
Energy	0	136,142	136,142
Operational management	0	87,796	87,796
Other revenue	0	34,055	34,055
Total	**371,299**	**257,993**	**629,292**

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**

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.

Notes to the consolidated income statement

Figures in EUR k	2020	2019
Geographical markets		
Germany	546,962	513,403
Rest of Europe *	82,330	79,675
Total	**629,292**	**593,078**

*Netherlands and Luxembourg

Contract balances

Figures in EUR k	31 Dec 2020	31 Dec 2019
Trade receivables	68,177	71,364
Contract assets	11,552	14,149
Contract liabilities	-950	0
Total	**78,779**	**85,513**

5.2 Other operating income

Figures in EUR k	2020	2019
Other operating income		
Refunds and damages	6,567	3,716
Income from the allocation of costs for goods and services	2,531	2,442
Income from the reversal of provisions	2,212	345
Income from energy tax refunds	1,933	2,486
Rental and lease income	470	315
Income from the release of investment grants	331	289
Income from sales of scrap and materials	296	295
Reversal of bad debt allowances	68	551
Miscellaneous other operating income	4,218	4,326
Total other operating income	**18,626**	**14,765**

5.3 Cost of materials

The cost of raw materials, consumables and supplies and of purchased merchandise primarily includes materials consumption for servicing and maintenance and for the operation of facilities and 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, slag and flue gas cleaning residues and miscellaneous services purchased.

5.4 Personnel expenses

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

	2020	2019
Wage earners	711	676
Salaried employees	500	489
Inactive employees	12	12
Total	**1,223**	**1,177**

5.5 Other operating expenses

Figures in EUR k	2020	2019
Other operating expenses		
Other purchased services and allocation of costs for goods and services	10,017	8,087
IT costs	9,557	8,590
Insurance premiums, fees and contributions	8,924	8,261
Audit and advisory fees	6,940	5,828
Expenses for insurance claims	5,134	1,181
Training, travel expenses	2,760	4,051
Rents and leases	2,516	1,986
Voluntary social benefits	2,377	693
Advertising and marketing expenses	2,235	1,743
Other taxes	2,041	2,223
Repair and maintenance expenses	1,783	1,445
Losses on the disposal of property, plant and equipment	1,274	1,185
Court, notary and lawyers’ fees	961	684
Processing obligations	624	584
Impairment losses on current assets	479	1,146
Office expenses	432	400
Miscellaneous other operating expenses	8,526	8,297
Total other operating expenses	**66,580**	**56,384**

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 615k (prior year: EUR 522k). A group-wide borrowing rate of 1.16% was applied (prior year: 1.2%).

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 year-on-year decrease in out-of-period tax income arose from the remeasurement of the uncertain tax position in particular due to the findings of the tax field audit.

In the prior year, deferred taxes on loss and interest carryforwards resulted from the use of the tax loss and interest carryforwards of one group company.

Figures in EUR k	**2020**	**2019**
Consolidated profit before income taxes	129,763	126,440
Expected tax expense: 30% (prior year: 30%)	**-38,929**	**-37,932**
Income tax reductions on distributed dividends and sale proceeds	384	328
Tax effects on tax-free income	1	0
Tax effects on non-deductible operating expenses	-3,113	-3,270
Trade tax add-backs/reductions	1,189	1,312
Out-of-period taxes	3,744	7,107
Effects from differences between entity and group tax rates	1,898	2,633
Loss/interest carryforwards	0	51
Permanent differences	-1,026	-1,649
Other	-10	-22
Effective tax expense	**-35,862**	**-31,442**
Effective tax rate	**28%**	**25%**

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 at that time. The useful life is the contractual term. The agreements are amortized over their remaining useful lives of up to nine years on the reporting date (net carrying amount of the intangible assets as of 31 December 2020 of EUR 60,623k; prior year: EUR 86,877k). Amortization of intangible assets totaled EUR 29,248k in fiscal year 2020 (prior year: EUR 33,771k). No impairment losses were charged in fiscal year 2020 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 13,989k; prior year: EUR 14,383k). Additions of right-of-use assets during fiscal year 2020 came to EUR 2,142k (prior year: EUR 692k).

Depreciation of property, plant and equipment totaled EUR 68,804k in fiscal year 2020 (prior year: EUR 62,203k). This includes depreciation of recognized right-of-use assets in the amount of EUR 2,516k (prior year: EUR 2,171k). No impairment losses were charged in fiscal year 2020 or in the prior year.

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

Notes to the consolidated statement of financial position

2020
Intangible assets and property, plant and equipment
Development of cost

Figures in EUR k	As of 1 Jan 2020	Additions	Disposals	Reclassifications	As of 31 Dec 2020
Customer-related intangible assets	334,911	0	0	0	334,911
Technology-related intangible assets	5,574	2,992	-8	138	8,696
CO_2 emission allowances	2,072	459	-595	0	1,936
Intangible assets	**342,557**	**3,451**	**-603**	**138**	**345,543**
Land and land rights	25,197	3	0	0	25,200
Rights of use for land	5,053	19	0	0	5,072
Land and land rights	**30,250**	**22**	**0**	**0**	**30,272**
Buildings, including buildings on third-party land (owned)	115,521	2,566	-682	1,781	119,186
Rights of use for buildings, including buildings on third-party land	1,951	453	0	0	2,404
Buildings, including buildings on third-party land	**117,472**	**3,019**	**-682**	**1,781**	**121,590**
Plant and machinery (owned)	860,202	34,820	-4,776	6,952	897,198
Rights of use for plant and machinery	10,613	994	0	0	11,607
Plant and machinery	**870,815**	**35,814**	**-4,776**	**6,952**	**908,805**
Other equipment, furniture and fixtures	17,881	3,008	-86	285	21,088
Rights of use for other equipment, furniture and fixtures	1,572	676	-91	0	2,157
Other equipment, furniture and fixtures	**19,453**	**3,684**	**-177**	**285**	**23,245**
Prepayments and assets under construction	**62,273**	**85,322**	**0**	**-9,156**	**138,439**
Property, plant and equipment	**1,100,263**	**127,861**	**-5,635**	**-138**	**1,222,351**
Intangible assets and property, plant and equipment	**1,442,820**	**131,312**	**-6,238**	**0**	**1,567,894**

Accumulated amortization, depreciation and impairment and net carrying amounts

As of 1 Jan 2020	Additions	Disposals	Reclassifications	As of 31 Dec 2020	Net carrying amount as of 31 Dec 2020
-252,095	-28,372	0	0	-280,467	54,444
-3,585	-876	8	0	-4,453	4,243
0	0	0	0	0	1,936
-255,680	**-29,248**	**8**	**0**	**-284,920**	**60,623**
-247	-2	0	0	-249	24,951
-229	-229	0	0	-458	4,614
-476	**-231**	**0**	**0**	**-707**	**29,565**
-39,900	-4,794	682	0	-44,012	75,174
-396	-598	0	0	-994	1,410
-40,296	**-5,392**	**682**	**0**	**-45,006**	**76,584**
-350,079	-59,017	3,509	0	-405,587	491,611
-3,605	-1,007	0	0	-4,612	6,995
-353,684	**-60,024**	**3,509**	**0**	**-410,199**	**498,606**
-8,364	-2,475	78	0	-10,761	10,327
-576	-682	71	0	-1,187	970
-8,940	**-3,157**	**149**	**0**	**-11,948**	**11,297**
0	**0**	**0**	**0**	**0**	**138,439**
-403,396	**-68,804**	**4,340**	**0**	**-467,860**	**754,491**
-659,076	**-98,052**	**4,348**	**0**	**-752,780**	**815,114**

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

Figures in EUR k	As of 1 Jan 2019	Additions	Disposals	Reclassifications	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	Reclassifications	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**

6.2 Financial assets

Financial assets include investments in affiliates, joint ventures and associates of EUR 42,684k (prior year: EUR 26,988k) 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 2k; prior year: EUR 4k) are included under financial assets.

6.3 Inventories

Inventories comprise raw materials, consumables and supplies. Impairments of EUR 2,136k (prior year: EUR 149k) 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	**31 Dec 2020**	**31 Dec 2019**
Trade receivables	68,177	71,364
Contract assets	11,552	14,149
Total	**79,729**	**85,513**

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

Figures in EUR k	**31 Dec 2020**	**31 Dec 2019**
Unimpaired receivables		
Neither past due nor impaired	68,359	77,441
1 to 30 days past due, unimpaired	6,911	6,352
31 to >360 days past due, unimpaired	4,458	1,707
Total unimpaired receivables	**79,728**	**85,500**
Impaired receivables		
Gross receivables	2,827	2,378
Specific bad debt allowances	-2,826	-2,365
Total impaired receivables	**1**	**13**
Total	**79,729**	**85,513**

Trade receivables include receivables amounting to EUR 9,191k (prior year: EUR 7,412k) from unconsolidated affiliates, joint ventures and BEHL group companies (Beijing Enterprise Holdings Ltd., Hong Kong, and Beijing Enterprises Holdings Environment Technology Co., Ltd., Hong Kong).

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	**2020**	**2019**
As of 1 Jan	**2,365**	**2,200**
+ Additions	529	1,271
- Utilizations (realized impairments)	0	-912
- Reversals (impairments no longer required)	-68	-194
As of 31 Dec	**2,826**	**2,365**

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 5,846k include prepaid expenses and a loan receivable from a minority shareholder of a subsidiary. Other current receivables and assets of EUR 63,040k primarily include receivables from related parties (note 9), reimbursement claims, tax receivables and prepayments.

6.5 Deferred taxes

Figures in EUR k	31 Dec 2020		31 Dec 2019	
	Asset	Liability	Asset	Liability
Deferred taxes	**38,908**	**90,285**	**34,652**	**94,864**
thereof recognized in profit or loss	1,053	4,579	-21,826	26,983

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

Figures in EUR k	31 Dec 2020	31 Dec 2019
Deferred tax assets on property, plant and equipment	1,659	708
Deferred tax assets on financial assets	251	0
Deferred tax assets on inventories	110	103
Deferred tax assets on receivables and other assets	0	1
Deferred tax assets on provisions	34,336	32,260
Deferred tax assets on liabilities	2,552	1,580
Total deferred tax assets	**38,908**	**34,652**

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	31 Dec 2020	31 Dec 2019
Deferred tax liabilities on intangible assets	15,663	24,103
Deferred tax liabilities on property, plant and equipment	64,908	61,358
Deferred tax liabilities on financial assets	0	151
Deferred tax liabilities on receivables and other assets	8,990	9,252
Deferred tax liabilities on liabilities	724	0
Total deferred tax liabilities	**90,285**	**94,864**

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 275,900k). The capital reserves contain contributions to equity made by shareholders.

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 2020, EUR 47,300k was distributed to the shareholders of EEW Holding for fiscal year 2019. 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 139,379k (prior year: EUR 127,545k) contrast with plan assets with a fair value of EUR 29,658k as of 31 December 2020 (prior year: EUR 29,633k).

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 employer contributions to the German statutory pension insurance scheme came to EUR 5,615k in fiscal year 2020 (prior year: EUR 5,350k). The additional expenses totaling EUR 992k (prior year: EUR 624k) recognized in the consolidated income statement represent the Group's contributions owed to these company 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 1,348 (prior year: 1,330) beneficiaries, thereof 734 (prior year: 729) active employees, 254 (prior year: 244) former employees with vested benefits and 360 (prior year: 357) 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.

Two contractual trust arrangements (CTAs) which are endowed in accordance with the level of the obligation were established to secure the obligations. The CTAs for the German group companies are administered in trust by HI-PENSION TRUST EEW-Fonds. The CTAs relate to plan assets which are earmarked and can be set off against the pension obligations pursuant to IAS 19. There is a strict obligation for the Company to make additional contributions for one CTA.

A large portion of the plan assets are invested in this CTA. Repayments to the trustors can be 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.

To a minor 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.

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

- **Investment risk**

  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.

- **Interest rate risk**

  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.

- **Longevity risk**

  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	2020	2019
Interest rate	0.70%	1.00%
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	**2020**	**2019**
Service costs		
Current service cost	3,160	2,586
Net interest expense	962	1,479
Contributions to defined benefit plans in the income statement	**4,122**	**4,065**
Remeasurement of net liability under a defined benefit plan		
Income (-) and losses (+) from plan assets	902	-881
Actuarial gains (-) and losses (+) from changes in financial assumptions	8,726	25,913
Actuarial gains (-) and losses (+) from experience adjustments	1,014	-294
Components of amounts for defined benefit plans recognized in other comprehensive income	**10,642**	**24,738**
Total	**14,764**	**28,803**

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**	**31 Dec 2020**	**31 Dec 2019**
Present value of covered defined benefit obligations	139,379	127,545
Fair value of plan assets	-29,658	-29,633
Net defined benefit obligation	**109,721**	**97,912**

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

Development of defined benefit obligation **Figures in EUR k**	**2020**	**2019**
Opening balance of defined benefit obligation	**127,545**	**99,420**
Service costs	3,160	2,586
Interest expenses	1,264	2,070
Gains (-) and losses (+) from remeasurement:		
Actuarial gains and losses from changes in life expectancy (mortality tables)	0	0
Actuarial gains and losses from changes in financial assumptions	8,726	25,913
Actuarial gains and losses from experience adjustments	1,014	-294
Benefits paid	-2,323	-1,957
Other payments	-7	-193
Closing balance of defined benefit obligation	**139,379**	**127,545**

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 26,243k (prior year: EUR 23,891k) (rise by EUR 34,668k (prior year: EUR 32,622k)).
- If the expected salary increase were 0.5% higher (lower), the defined benefit obligation would increase by EUR 547k (prior year: EUR 528k) (decline by EUR 523k (prior year: EUR 504k)).
- If the expected pension increase were 0.5% higher (lower), the defined benefit obligation would increase by EUR 1,565k (prior year: EUR 1,593k) (decline by EUR 1,424k (prior year: EUR 1,451k)).
- If life expectancy were to fall (rise) by one year, the defined benefit obligation would decline by EUR 4,317k (prior year: EUR 2,771k) (rise by EUR 4,868k (prior year: EUR 3,119k)).

The above sensitivity analysis as of 31 December 2020 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	2020	2019
Opening balance of plan assets measured at fair value	**29,633**	**28,189**
Interest income	302	591
Gains (+) and losses (-) from remeasurement:		
Income/expense from plan assets	-902	881
Contributions by employer (+)/refunds to employer (-)	625	-28
Benefits paid	0	0
Closing balance of plan assets measured at fair value	**29,658**	**29,633**

The actual income (+)/expense (-) from the plan assets amounted to -EUR 600k (prior year: EUR 1,472k).

The main investment classes of the plan assets as of 31 December 2020 are presented in the following table:

Main investment classes of plan assets Figures in EUR k	31 Dec 2020	31 Dec 2019
Debt instruments	18,945	19,456
Real estate and infrastructure funds	5,614	4,460
Equity instruments	5,001	5,156
Cash and cash equivalents	67	533
Employer’s pension liability insurance	31	28
Total	**29,658**	**29,633**

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 2020 was 22 years (prior year: 22 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**	**31 Dec 2020**	**31 Dec 2019**
Less than 1 year	2,199	2,211
Between 1 and 5 years	11,342	10,951
Between 5 and 10 years	18,812	18,912
Total	**32,353**	**32,074**

In the coming fiscal year, the Group expects to make a contribution amounting to EUR 2,020k (prior year: EUR 661k) 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 2020	Imputed interest	Allocation	Utilization	Reversal	As of 31 Dec 2020
Other personnel-related obligations	4,344	117	155	-1,305	-149	**3,162**
Site restoration, demolition obligations, etc.	21,674	72	2,495	-186	0	**24,055**
Obligations arising from litigation, liability, etc.	275	0	272	0	-50	**497**
Other obligations	20,811	62	6933	-6,485	-1,784	**19,537**
Total	**47,104**	**251**	**9,855**	**-7,976**	**-1,983**	**47,251**

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 0.0% (prior year: 0.3%) 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 offered to employees. They are recognized at present value using a discount rate of 0.2% (prior year: 0.2%) 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: 0.7%).

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 0.0% (prior year: 0.35%).

The obligations for litigation include legal costs and risks from existing contractual relationships. For more information on legal disputes, please see the risk report of the management report in the sections concerning regulatory and legal risks.

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:

31 Dec 2020		
Figures in EUR k	**Current**	**Non-current**
Other personnel-related obligations	429	2,733
Site restoration, demolition obligations, etc.	47	24,008
Obligations arising from litigation, liability, etc.	496	0
Other obligations	11,843	7,695
Total	**12,815**	**34,436**

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	31 Dec 2020	31 Dec 2019
Liabilities to banks	**408,026**	**412,543**
Cash flows with a residual term of		
Up to 1 year	5,833	10,648
1 to 2 years	314,368	4,298
2 to 3 years	1,234	314,368
3 to 4 years	96,255	1,234
4 to 5 years	135	96,255
More than 5 years	2,090	2,134
Total expected cash flows	**419,915**	**428,937**
Other financial liabilities	**301**	**116**
Cash flows with a residual term of		
Up to 1 year	0	0
1 to 5 years	0	116
More than 5 years	301	0
Total expected cash flows	**301**	**116**

Liquidity needs are satisfied by credit lines from banks totaling EUR 95,000k. Of this amount, EUR 59,391k had been drawn down for the provision of bank guarantees as of 31 December 2020. 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. The variable portion of the promissory note loan can be repaid at the respective interest payment dates in February and August of a given year. 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. No financial covenants under existing loan agreements were agreed.

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.

Currency risks

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

Interest rate risks

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.

Other price risks

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 2020 Figures in EUR k	At fair value through OCI	At amortized cost	Carrying amount under IFRS 16	Total	
Item of the statement of financial position	**Carrying amount**	**Carrying amount**		**Carrying amount**	**Fair value**
Financial assets	42,684	10,002	0	52,686	52,686
Trade receivables and contract assets	0	79,729	0	79,729	79,729
Finance lease receivables	0	0	82,675	82,675	82,675
Other financial receivables	0	40,592	0	40,592	40,592
Cash and cash equivalents	0	145,517	0	145,517	145,517
Total	**42,684**	**275,840**	**82,675**	**401,199**	**401,199**

31 Dec 2019 Figures in EUR k	At fair value through OCI	At amortized cost	Carrying amount under IFRS 16	Total	
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**

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

31 Dec 2020 Figures in EUR k	At amortized cost	Total
Item of the statement of financial position	**Carrying amount**	**Fair value**
Liabilities to banks	408,026	412,750
Other financial liabilities	301	301
Trade payables	47,225	47,225
Total	**455,552**	**460,276**

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**

Fair value hierarchy for measuring financial instruments at fair value

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.

Measurement of financial instruments at fair value

The value of financial assets measured at fair value through other comprehensive income 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).

A discount rate of 3.7% was applied (prior year: 4.5%). Cash flows that go beyond internal forecasts are calculated in accordance with suitable growth rates. The growth rates applied are based on long-term real growth and ranged between 0.0% and 1.0% in the prior year. The rise in the net realizable value calculated is primarily attributable to the reduced discount interest rate and the sustainable improvement in earnings prospects.

Fair values of assets measured at amortized cost

In the case of trade receivables and contract assets, 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.

In addition, there are non-current financial assets that are not recognized at fair value in the statement of financial position. In the case of these instruments, the fair value does not differ materially from the carrying amount since they earn interest at a rate that approximates the current market rate.

Measurement of the carrying amount under IFRS 16

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).

Fair values of liabilities measured at amortized cost

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).

In the case of trade payables and other financial liabilities, the carrying amount is equal to the fair value since they either accrue interest at a rate that approximates the current market rate or have short maturities.

Other liabilities comprise liabilities from cash pool arrangements with non-consolidated 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 2020 Figures in EUR k	Interest	Impairment/reversals	Investment income	Net gain/loss
Financial assets at fair value through OCI	0	0	1,324	1,324
Loans and receivables measured at amortized cost	658	-479	0	179
Liabilities measured at amortized cost	-4,802	0	0	-4,802
Total	**-4,144**	**-479**	**1,324**	**-3,298**

31 Dec 2019 Figures in EUR k	Interest	Impairment/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**

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 0k (prior year: EUR 553k) 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	2020	2019
Short-term lease expense	1,546	1,306
Expense relating to leases of low-value assets	1,329	1,297
Expense for variable lease payments	0	0
Interest expenses on lease liabilities	402	433
Repayments of lease liabilities	2,820	2,467
Cash outflows for lease liabilities	**6,097**	**5,503**

The future undiscounted cash flows of the lease liabilities of EUR 11,493k in place as of 31 December 2020 (prior year: EUR 12,191k) are as follows:

	Minimum lease payments	
Figures in EUR k	**31 Dec 2020**	**31 Dec 2019**
Less than 1 year	2,654	2,770
1 to 5 years	5,847	6,599
More than 5 years	6,073	6,049
Total	**14,574**	**15,418**

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 82,675k (prior year: EUR 91,449k), of which EUR 9,670k (prior year: EUR 8,774k) are current. The recognition of impairment losses on lease receivables was not necessary in 2020 or 2019.

Interest income from lease receivables was generated in the amount of EUR 7,133k (prior year: EUR 7,968k).

The lease receivables have the following maturity structure:

	Undiscounted lease payments	
Figures in EUR k	**31 Dec 2020**	**31 Dec 2019**
Less than 1 year	15,907	15,907
1 to 2 years	15,908	15,908
2 to 3 years	15,907	15,907
3 to 4 years	10,605	15,908
4 to 5 years	0	10,605
Unguaranteed residual values	42,605	42,605
Total	**100,932**	**116,840**
As yet unrealized finance income	-18,257	-25,391
Present value of minimum lease payments	**82,675**	**91,449**

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.

No financial covenants under existing financing arrangements were agreed. By way of a planned refinancing of variable tranches from the existing promissory note loan agreements, the Company seeks to use long-term debt and secure the current favorable market conditions.

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 property, plant and equipment and intangible assets. Approximately EUR 126,105k was invested in property, plant and equipment as well as in intangible assets.

The cash outflow from financing activities is dominated by the dividend distributions of EUR 15,326k to the non-controlling interests. In addition, dividends of EUR 7,300k were distributed to the shareholders of EEW Holding.

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**	**1 Jan 2020**	**Change in cash and cash equivalents**	**Non-cash change**	**31 Dec 2020**
Non-current liabilities to banks	406,491	0	249	406,740
Other non-current financial liabilities	116	185	0	301
Non-current financial liabilities	**406,607**	**185**	**249**	**407,041**
Current liabilities to banks	6,052	-4,766	0	1,286
Other current financial liabilities	0	0	0	0
Current financial liabilities	**6,052**	**-4,766**	**0**	**1,286**
Lease liabilities	**12,191**	**-3,222**	**2,524**	**11,493**
thereof cash flows from operating activities		-402		
thereof cash flows from financing activities		-2,820		
Total	**424,850**	**-7,803**	**2,773**	**419,820**

Financial liabilities **Figures in EUR k**	**1 Jan 2019**	**Change in cash and cash equivalents**	**Non-cash change**	**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 flows from operating activities		-433		
thereof cash flows from financing activities		-2,467		
Total	**425,415**	**-11,451**	**10,886**	**424,850**

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	31 Dec 2020	31 Dec 2019
Obligations under rental and lease agreements	4,225	5,525
Other financial obligations	363,651	317,552
Total	**367,876**	**323,077**

A strict obligation for the Company to make additional contributions to a CTA 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 2020, 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.

Figures in EUR k (rounded)	31. Dec 2020			
	Goods delivered and services provided, and interest income	Goods and services received and interest expenses	Receivables	Liabilities
BEHL group	197	0	40,092	0
Non-consolidated subsidiaries	14,004	-41	1,100	301
Joint ventures and associates	31,040	-31,538	7,240	0

Figures in EUR k (rounded)	31 Dec 2019			
	Goods delivered and services provided, and interest income	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

There is also a loan receivable of EUR 10,000k from EBS Kraftwerk GmbH, Hürth. The loan has a overall term until 31 December 2031 with fixed interest rate of 1.0% until 31 December 2023. The repayments begin starting in fiscal year 2024 in contractually specified quarterly installments.

Furthermore, a resolution was adopted in 2020 to distribute a dividend for fiscal year 2019 to the shareholder of EEW Holding in the amount of EUR 47,300k, of which EUR 7,300k was distributed in fiscal year 2020. An additional EUR 40,000k from a loan receivable of EEW Energy from Waste GmbH vis-à-vis Good Champion Investments Limited was reassigned to EEW Holding GmbH, transferred to BEHEIM and set off against the obligation from the payment of the dividend for fiscal year 2019. Furthermore, EUR 13,200k was disbursed as a short-term loan to the shareholder of EEW Holding GmbH (BEHEIM) in 2020. EEW Energy from Waste GmbH disbursed an additional EUR 23,400k as a short-term loan to Good Champion Investments Limited. The loans bear interest of between 0.8% and 1.0%. Both loans are included in the aforementioned table.

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 2,527k in the reporting year (prior year: EUR 2,278k). This consists solely of payments due in the short term.

The members of the supervisory board of EEW GmbH received total remuneration of EUR 195k in fiscal year 2020 (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 914k (prior year: EUR 561k). EUR 661k (prior year: EUR 455k) of these expenses relate to audit services, EUR 55k (prior year: EUR 60k) to audit-related services and EUR 198k (prior year: EUR 46k) to other services.

11. Events after the reporting period

There were no events after 31 December 2020 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 (until 30 September 2020)

Dr. Joachim Manns (from 1 October 2020)

Helmstedt, 19 March 2021

EEW Holding GmbH
The Management Board

Kemper	Hauck	Manns

GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2020

EEW Holding GmbH
Helmstedt

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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 4.8 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]. This energy recovery from the waste incinerated in EEW's facilities conserves natural resources, recovers valuable raw materials and reduces our carbon footprint.

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 16.0% (0.1% higher than in the prior year due to adjusted incineration capacities). As in the prior year, it has a market share of 100% in Luxembourg and 7% in the Netherlands.

In 2020, 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 2020, 13 facilities were operated as independent businesses and 5 facilities were managed by the EEW Group on the basis of long-term operational management agreements.

The German thermal 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, EnBW and RWE). In 2020, the total gross processing capacity of all waste incineration plants in Germany of approximately 26.6 millionmt p.a. (internal EEW research) was matched by consistently high waste quantities.

Background of the Group

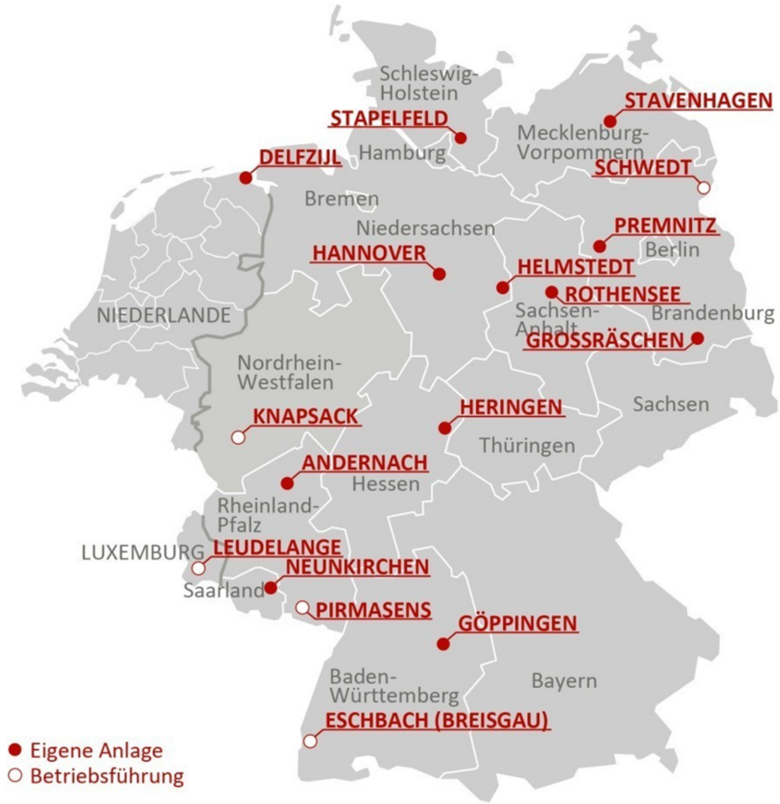

Figure 1: Overview of the plants operated by EEW in Germany,

the Netherlands and Luxembourg

(As of 31 December 2020, 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 2020

The global economy entered into a recession due to the coronavirus pandemic. In Germany this was reflected by a 5% drop in GDP in 2020. However, the decline was not as steep as many experts initially expected, which, according to the Federal Ministry for Economic Affairs and Energy, is attributable to the adaptability of the German economy and crisis management capability as well as the extensive measures by the German Federal Government to support the economy and stabilize income. After the economic downturn of 9.8% in the second quarter, the gradual easing of restrictions led to a recovery process in the third quarter, in which the German economy generated growth of 8.5%. The economy stagnated at the end of 2020 due to the second lockdown and GDP only rose by 0.1%. As such, the second lockdown at the end of the year essentially pulled the brakes on the significant recovery after the end of the first lockdown in spring 2020. The extension of the lockdown and the tightening of measures placed a strain on the German economy again in the first quarter of 2021. However the annual forecast for 2021 published in January by the Federal Ministry for Economic Affairs and Energy showed that the recession was not as deep as feared. The Federal Government expects inflation-adjusted GDP to grow by 3.0% year on year in 2021. The pre-pandemic level of economic output is not expected to be reached before mid-2022. The Federal Government’s aim is to overcome the coronavirus crisis, support economic recovery and strengthen structures.

As in the prior year, the market situation in the thermal recycling industry was characterized by consistent waste quantities together with high utilization of incineration capacities in Germany and the Netherlands in 2020.

Company development

EEW intends to expand its role as a leader in resource conservation and sustainable energy generation for industry and households in Europe. By using sustainable and state-of-the-art techniques and exploiting the opportunities of digitalization, EEW is an integral part of the circular economy and contributes to the energy transition by providing climate-friendly energy in the form of process steam, district heating and electricity and permanently eliminating hazardous substances. This conserves primary energy resources and recovers valuable raw materials.

The EEW Group’s business strategy is built on several pillars: growth in the thermal recycling segment in Germany and abroad as well as growth in adjacent segments. This includes project activities in thermal waste recovery, further development of the thermal sewage sludge recovery operations and the development of products along the value chain of thermal waste recovery. Digitalization and sustainability play a key role in the continuous optimization of the plant technology used and improvement of operating processes, among other things.

Economic report

In the area of thermal waste recovery, 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 and increase energy generation. At the EEW location in Stapelfeld, a completely new plant with higher energy efficiency is due to replace the existing facility as from 2023. Both investment projects ensure reliable regional waste disposal and also provide heating, steam and electricity supply at the respective locations.

Implementation of the sewage sludge recovery projects is being driven forward at the Helmstedt, Delfzijl and Stapelfeld locations. In January 2020, at the Helmstedt location, the foundations were laid for the construction of the first sewage sludge recovery plant in Lower Saxony. The plant is due to be commissioned in autumn 2021.

In order to leverage synergies, a sewage sludge mono-recovery plant is set to be built at the Stapelfeld location in addition to the existing thermal waste recovery plant. The Company is in the process of obtaining permits to build and operate both plants. Construction is expected to begin around the middle of 2021. The plants are scheduled to be commissioned by the end of 2023. EEW Energy from Waste Delfzijl B.V. plans to build the first thermal sewage sludge recovery plant of EEW outside of Germany in the Oosterhorn industrial estate in Delfzijl. This plant will process sewage sludge from the Netherlands and neighboring areas of Germany. EEW plans to commission the plant by the end of 2023.

Moreover, EEW intends to drive forward the development of innovations in the area of thermal waste recovery. Besides the economic benefits, product innovation also aims to take the ecological aspect into account. Developments relating to the use of phosphate contained in sewage sludge ash are in the pipeline. The Company also aims to recover additional valuable materials from the incineration residues and return them to the circular economy.

Progress was made on various projects in the area of digitalization in the reporting year: with the implementation of MS Office 365, the networking and communication of internal organizational structures was improved. The preparations for the implementation of an internal employee app that will be rolled out company-wide in 2021 will enhance the nature and methods of internal communication. A preliminary study was initiated for the planned implementation of SAP S/4HANA. Since the beginning of 2020, a new recruiting tool in the form of an applicant platform has simplified, accelerated and improved applicant management and is intended to enhance the image of EEW as an attractive employer with good prospects. Digitalization also involves a cultural change reflected in new ways of working, the developments in this fiscal year and the implementation of a new competence model planned for 2021. A new open space working area in Helmstedt also provides a supportive work atmosphere for creative and agile projects.

2.2 Business performance

The outbreak of the coronavirus pandemic in Germany and Europe at the beginning of the fiscal year required urgent comprehensive measures to ensure occupational health and safety for the employees and ensure the continuance of plant operations. For this purpose, EEW established a central crisis team supported by 18 local crisis management teams. Therefore, as a part of ensuring occupational health and safety, among other things, protective equipment and sanitary/hygiene products were and are provided, instructions for consistent compliance with all health and safety provisions were issued in 14 languages for internal and external staff, the pandemic plan was updated continuously in coordination with local health authorities and external and internal staff are tested regularly. The plant operations are secured by, among other things, continuously reviewing maintenance plans with respect to the availability of contractors, the technical urgency of repairs and the impact on the waste market, reducing employees per shift and establishing reserve shifts, uncoupling/separating shifts/teams at the locations and the headquarters to reduce the risk of infection and securing supply logistics of suppliers and service providers. The waste flow management system ensures optimal utilization of the plants through an operational prioritization of plants (merit-order model) in conjunction with warehouse logistics and bunker stock controlling. Due to EEW's classification as an essential service company and the systematic implementation, intensive controls and continuous adjustment of measures, the operations of EEW were maintained in the fiscal year without significant problems.

In spite of the coronavirus pandemic and the related adverse economic development in Germany and Europe, the waste market did not experience any significant negative effects in fiscal year 2020 and remained stable. The EEW Group even managed a slight year-on-year increase in the quantity of waste accepted. The development of prices in the waste market in 2020 differed regionally, as in prior years. At the beginning of the year, there were increases in prices for spot and commercial quantities, the prices stabilized over the course of the year. Higher price levels were seen in tenders for municipalities. In order to secure the supply for EEW's plants, agreements with foreign customers, primarily in the UK, were honored in 2020, too.

Waste sludge has been incinerated in EEW's plants since 2016 and the volumes accepted are steadily growing. The market for the recovery of sewage sludge is currently undergoing changes. The amendment of the AbfKlärV ["Klärschlammverordnung": German Sewage Sludge Ordinance] in 2017 and the tightening of the DüngG ["Düngegesetz": German Fertilizers Regulation] pose major challenges for German sewage plant operators. These key legal amendments led to major waste disposal bottlenecks from 2017 to 2019. As a result, the market saw sharp increases in waste disposal prices in 2020. In particular, the decrease in spreading sludge on agricultural land led to increased demand for co-incineration capacities in waste-fed heating and power plants, cement and coal power plants. The capacity bottlenecks also enabled the EEW Group to generate higher revenue and accept the highest volume of sewage sludge to date at 153 kt.

As far as energy is concerned, electricity, heating and steam underwent disparate developments in 2020. In the first three months of 2020, the German electricity market was shaped by falling prices, mainly due to the first (COVID-19) lockdown in March. At the beginning of April 2020 prices began to recover, however the forward market price fell considerably in comparison to 2019. Forward prices for electricity were largely influenced by the development of the price of CO_2 (EUA market), it was the key driver. Electricity prices on the spot markets bottomed out at the beginning of the coronavirus crisis in March 2020. At the beginning of June 2020, spot prices were able to recover and peaked in December, mainly due to the weak feed-in from wind power in this month. The spot markets continue to depend on the weather and are volatile. Feed-ins from renewable energies, temperature-related fluctuations and the electricity consumption behavior are strong indicators here.

Economic report

Prices for emission certificates in EU emissions trading also plummeted under the strain of COVID-19 in March 2020, but increased significantly by the beginning of July and continued at a high level.

Due to the weather conditions, district heating performed below average. Process steam was subject to demand-related fluctuations and fell short of the budget. Overall, the extremely low gas prices were reflected in the low level of specific average prices for heating overall due to contractually defined price adjustment clauses.

Due to the above measures for occupational health and safety and the flexibilization of the maintenance plans taking into account the availability of external service providers, among other things, the incineration performance of the prior year could be achieved despite the pandemic. In relation to the prior year, the availability and capacity factor as well as the related higher overall equipment efficiency remained at a similar level.

In 2020, EEW’s procurement market for raw materials, consumables and supplies saw varying developments. The impact of the coronavirus pandemic on the global economy led to plummeting oil prices. Falling gas prices led to a relatively low price level for ammonium hydroxide. The situation on the transport market was also eased by the lower demand, there were no difficulties concerning the availability of transport companies. On the other hand, the coronavirus crisis led to production stops and affected the availability of some products (hydrochloric acid, activated carbon), resulting in shortages and increasing market prices. Thanks to the conclusion of fixed supply agreements, the bottlenecks and price increases in 2020 could mostly be avoided. The supply for the locations was secured without exception. Due to the index price-based contracts for heating oil and ammoniac, the Group benefited from the decreased oil and gas prices. New suppliers for sodium bicarbonate were successively established to ensure supply, counteract price increases and at the same time decrease potential dependencies.

At the beginning of December, Zweckverband Abfallverwertung Südwestpfalz (ZAS) decided to sell Müllheizkraftwerk Pirmasens to the EEW Group as the longstanding operator. As of 1 January 2024, ownership of the plant will pass to EEW. This was preceded by a multi-stage bidding process, in which EEW submitted the best bid. After the decision of the ZAS association meeting, the Federal Cartel Office also approved the transfer of the plant.

Overall, higher consolidated revenue from higher waste, operational management and energy and other 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 2020 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 2020 in comparison to the prior year.

Figures in EUR k	2020	2019
Revenue	**629,292**	**593,078**
Own work capitalized	**1,426**	**1,524**
Other operating income	**18,626**	**14,765**
Cost of materials	**256,399**	**237,760**
Personnel expenses	**100,605**	**95,447**
Amortization, depreciation and impairment	**98,052**	**95,974**
Total other operating expenses	**66,580**	**56,384**
EBIT	**127,708**	**123,802**
Financial result	**2,055**	**2,638**
Earnings before taxes	**129,763**	**126,440**
Income taxes	**-35,862**	**-31,442**
Consolidated profit for the period	**93,901**	**94,998**
– thereof non-controlling interests	15,068	11,508
– thereof shareholders of EEW Holding GmbH	78,833	83,490

Economic report

Income statement for the period from 1 January to 31 December 2020

Revenue (EUR 629.3m; prior year: EUR 593.1m) 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 2020, revenue from the recovery and disposal of waste and the sale of the energy generated from it amounted to EUR 507.4m (prior year: EUR 484.7m) and from the operational management of individual plants to EUR 87.8m (prior year: EUR 83.9m). The prior year's revenue forecast was surpassed owing to an optimized segment mix and the price increases in nearly all waste segments.

The increase in other operating income (EUR 18.6m; prior year: EUR 14.8m) is mainly the result of income from claims for damages and higher income from the reversal of provisions.

Cost of materials (EUR 256.4m; prior year: EUR 237.8m) includes services purchased (EUR 190.7m; prior year: EUR 173.9m) for freight, maintenance and inspection work and the expense of honoring fuel supply agreements and disposing of waste residues. The change against the prior year is primarily due to higher other purchased services and higher waste disposal costs. In addition, cost of materials also comprises expenses for raw materials, consumables, and supplies (EUR 65.7m; prior year: EUR 63.9m), 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 residual waste. The level was higher than in the prior year owing to the increased impairment on storage materials and increases in the cost of the input materials.

Personnel expenses (EUR 100.6m; prior year: EUR 95.4m) include expenses for old-age pensions (EUR 4.7m; prior year: EUR 3.7m) in addition to current personnel costs. The rise in personnel expenses is attributable in part to an increase in headcount from 1,177 to 1,223 due to the hiring of commercial and technical specialists for current and future projects, pay rises under collective wage agreements and a special COVID-19 payment.

Other operating expenses (EUR 66.6m; prior year: EUR 56.4m) are primarily influenced by other purchased services, 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 primarily due to insurance claims (including deduction), voluntary social benefits (expenses for coronavirus-related measures), purchased services, audit and advisory costs and IT costs. By contrast, travel expenses were down in particular due to reduced mobility caused by the coronavirus pandemic.

Amortization and depreciation of EUR 98.1m (prior year: EUR 96.0m) include amortization of intangible assets of EUR 29.2m (prior year: EUR 33.8m).

The lower financial result of EUR 2.1m (prior year: EUR 2.6m) mainly relates to lower interest income. The financial result also includes investment income of EUR 1.3m (prior year: EUR 1.1m).

Tax expenses rose from EUR 4.4m in the prior year to EUR 35.9m. Current taxes of EUR 41.5m (prior year: EUR 36.6m) are offset by deferred tax income of EUR 5.6m (prior year: EUR 5.2m). The profit-related increase in current taxes is partially offset by out-of-period tax income due to the tax audit for the years 2012 to 2015. The slight increase in deferred tax income is primarily based on out-of-period tax effects. The tax rate increased from 25% in the prior year to 28% due to lower out-of-period tax effects.

In the reporting period, EBIT of EUR 127.7m (prior year: EUR 123.8m) was achieved after deducting depreciation and amortization totaling EUR 98.1m (prior year: EUR 96.0m) from EBITDA of EUR 225.8m (prior year: EUR 219.8m). This year-on-year increase in EBIT is largely due to higher revenue. After deducting the financial result and the tax result totaling EUR 33.8m (prior year: EUR 28.8m), consolidated profit comes to EUR 93.9m for the fiscal year (prior year: EUR 95.0m).

Financial position

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

Since fiscal year 2019, EEW Energy from Waste GmbH has made a revolving credit facility covering EUR 45.0m available to Good Champion, British Virgin Islands. Furthermore, a resolution was adopted in 2020 to distribute a dividend for fiscal year 2019 to the shareholder of EEW Holding in the amount of EUR 47.3m, of which EUR 7.3m was distributed in fiscal year 2020. An additional EUR 40.0m from a loan receivable of EEW Energy from Waste GmbH vis-à-vis Good Champion Investments Limited was reassigned to EEW Holding GmbH, and transferred to Beijing Enterprises European Investment Management S.a. r.l and set off against the obligation from the payment of the dividend for fiscal year 2019. EEW Energy from Waste GmbH disbursed an additional EUR 23.4m as a short-term loan to Good Champion Investments Limited. Furthermore, EUR 13.2m was disbursed as a short-term loan to the shareholder of EEW Holding GmbH (BEHEIM) in 2020.

Credit facilities of EUR 95.0m with banks, of which EUR 59.4m had been utilized as of the reporting date, are used to cover short-term liquidity requirements. These lines are available 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.

Economic report

ASSETS **Figures in EUR k**	**2020**	**2019**
Non-current assets		
Intangible assets	**60.623**	**86.877**
Property, plant and equipment	**754.491**	**696.867**
Financial assets	**52.686**	**36.992**
Receivables and other assets	**78.851**	**88.956**
Deferred tax assets	**38.908**	**34.652**
Total non-current assets	**985.559**	**944.344**
Current assets		
Inventories	**23.663**	**24.367**
Trade receivables	79.729	85.513
Other receivables and other assets	72.710	65.130
Total receivables and other assets	**152.439**	**150.643**
Cash and cash equivalents	**145.517**	**152.816**
Total current assets	**321.619**	**327.826**
Total assets	**1.307.178**	**1.272.170**

EQUITY AND LIABILITIES **Figures in EUR k**		**2020**	**2019**
Equity			
	Subscribed capital	1.000	1.000
	Capital reserves	275.900	275.900
	Other revenue reserves	106.369	61.768
	Profit or loss attributable to controlling interests	78.833	83.490
	Equity attributable to the shareholders of EEW Holding GmbH	**462.102**	**422.158**
	Non-controlling interests	**62.383**	**62.785**
Total equity		**524.485**	**484.943**
Non-current liabilities			
	Pension provisions	**109.721**	**97.912**
	Other provisions	**34.436**	**34.000**
	Liabilities to banks	**406.740**	**406.491**
	Other liabilities	**18.038**	**15.981**
	Deferred tax liabilities	**90.285**	**94.864**
Total non-current liabilities		**659.220**	**649.248**
Current liabilities			
	Tax provisions	**836**	**1.045**
	Other provisions	**12.815**	**13.104**
	Liabilities to banks	**1.286**	**6.052**
	Finance lease liabilities	**2.238**	**2.379**
	Trade payables	**47.225**	**47.803**
	Income tax liabilities	**35.930**	**41.289**
	Other liabilities	**23.143**	**26.307**
Total current liabilities		**123.473**	**137.979**
Total equity and liabilities		**1.307.178**	**1.272.170**

Economic report

Assets and liabilities

Total assets of the EEW Group rose from EUR 1,272.2m in the prior year to EUR 1,307.2m, mainly due to the higher revenue reserves and the related increase in equity on the equity and liabilities side and in property, plant and equipment on the assets side. This is an increase of some EUR 35.0m on the prior year.
Cash flows from investing activities came to -EUR 125.5m in the reporting period. In addition to operating investments in existing plants, the EEW Group primarily invested in growth projects such as the second grate firing line in Premnitz, the new MVA Stapelfeld plant and the sewage sludge mono-incineration plants in Helmstedt and Stapelfeld in 2020.

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 78.9m; prior year: EUR 89.0m) predominantly consist of receivables under finance leases (EUR 73.0m; prior year: EUR 82.7m).

Current receivables (EUR 152.4m; prior year: EUR 150.6m) primarily consist of trade receivables amounting to EUR 79.7m and loans to the shareholder. Income tax refund claims fell year on year by EUR 0.9m to EUR 6.1m. The increase in current receivables is mainly attributable to the disbursement of a short-term loan to Good Champion of EUR 23.4m and the disbursement of a short-term loan to Beijing Enterprises Holdings European Investment S.à r.l of EUR 13.2m.

Cash and cash equivalents decreased by EUR 7.3m from EUR 152.8m at the start of the fiscal year to EUR 145.5m. Cash outflows are shaped in particular by higher investments in the new construction projects.

The equity ratio rose by 2.0 percentage points from 38.1% to 40.1%. 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 148.2m in the reporting period. The decrease in cash flows (down EUR 7.3m) is mainly due to higher investments in new waste and sewage sludge recovery plants, as is reflected in cash outflows from investing activities increasing by EUR 43.3m to EUR 125.5m. Cash flows from financing activities (-EUR 30m) 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 decreased by EUR 7.3m to EUR 145.5m as of year-end 2020.

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 2021 since stable prices for commercial and industrial quantities in the waste market and consistent waste volumes at the plants are forecasted. However this expectation is only valid if the coronavirus-induced lockdown is not expanded to include the manufacturing industry. EEW expects higher prices in specific electricity revenue in 2021 in comparison to 2020 in line with the apparent market prices. Revenue from district heating and process steam is expected to see slight growth. Due to the heat extraction in Hanover and Leudelange, sales volume and revenue for district heating will increase in 2021 due to a rise in the supply of heating 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 slightly year on year in 2021.

Targets 2020	Profit/loss 2020	Target achievement 2020	Forecast for 2021
Total revenue (in EUR m)	629.3	Target exceeded	Slight increase compared with 2020
Waste accepted (in thousand	4,811	Target slightly exceeded	Slight increase compared with 2020

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 thermal waste recovery 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 use.

Pandemics like COVID-19, epidemics or the outbreak of other infectious diseases and the related measures to restrict travel, impose quarantines, extend the shutdown of workplaces, curfews or other measures for social distancing had a significant negative impact on the global economy and international financial markets in general and therefore on the markets and market segments in which EEW operates. Extended plant shutdowns and infections in employees lead to disruptions or delays in waste collection and transportation, plant productivity, residual waste disposal, supply of raw materials and administrative tasks. The impact of such outbreaks depends on a number of factors such as the duration and extent of the pandemic as well as the timing, suitability, adequacy and effectiveness of the official measures, the maintenance of resources such as personnel, materials, infrastructure and finances (e.g., the government's economic stimulus packages or central bank measures) and require an effective response to the current situation on the international and national level as well as the civilian level. However there is no guarantee that such measures can effectively counter the pandemic and its consequences such as the increased credit risks, liquidity risks and operational risks and could impact the EEW Group and its operational and future results.

The German Federal Government considers waste disposal to be an essential service. This is shown in the Federal Ministry of the Interior's response to a joint position paper of *Interessengemeinschaft der Thermischen Abfallbehandlungsanlagen in Deutschland* (ITAD) and *Bundesverbandes Deutscher Sonderabfallverbrennungs-Anlagen* (BDSAV). EEW's plants must therefore be afforded special protection during the coronavirus 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). A crisis unit regularly informs the staff about the situation in the enterprise and organizational changes made for employee protection due to pandemic developments. Overall, we conclude that the incineration of waste and generation of energy will remain stable thanks to the above measures, our regionally diverse facilities and our customer structure. Encouragingly, we consider this estimate to be confirmed for 2021 to date.

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

After the economic downturn of 9.8% in the second quarter, the gradual easing of restrictions led to a recovery process in the third quarter, in which the German economy generated growth of 8.5%. The economy stagnated at the end of 2020 due to the second lockdown and GDP only rose by 0.1%. As such, the second lockdown at the end of the year essentially pulled the brakes on the significant recovery after the end of the first lockdown in spring 2020. The extension of the lockdown and the tightening of measures placed a strain on the German economy again in the first quarter of 2021. The ongoing coronavirus pandemic and the resulting weakening economy could have an impact on the waste market. Measures were prepared and implemented at an early stage to offset 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 thermal waste recovery. 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.

With regard to residual waste disposal, long-term agreements on slag and filter dust are in place with partners to ensure reliable disposal. The price for the disposal of raw slag volume is also influenced by the sales price generated for the metal extracted from the slag. If this sales price falls below a contractually defined level, EEW must make a compensation payment. The annual filter dust volume of around 220,000mt is mostly used in rock filling. In order to continue ensuring reliable waste disposal and keeping costs stable, the EEW Group aims to renew the expiring contracts for medium and long terms.

Outlook, opportunities and risks

The volatility of market prices and the availability of raw materials such as reagents, chemicals, oil and gas have a significant impact on the financial situation of EEW. With regard to the procurement of raw materials, consumables and supplies, EEW expects environmental policies to lead to price increases for various products in 2021. The newly implemented CO_2 levy on fossil fuels from 2021 onwards in accordance with the BEHG ["Brennstoffemissionshandelsgesetz": Fuel Emissions Trading Act] affects the general transportation costs and heating oil prices and products with an energy-intensive production process (ammoniac, calcium carbonate, quartz sand). This effect will be more significant in the next years due to the rise in CO_2 prices. Additionally, the fourth trading period for CO_2 certificates under the European Emission Trading Scheme begins on 1 January 2021. Rising certificate prices as well as a curtailment of the allocated certificates and thus price increases in various areas (particularly calcium carbonate) are expected. The stabilization of the economic situation expected by the Federal Government and the related increase in demand will also lead to additional price increases. The global availability of vaccines is expected to lead to recovery in global markets and as a result, a disproportionate increase in demand. In this regard, the Company will be able to benefit from long-term contracts in place (sodium bicarbonate, hearth furnace coke). 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.

Operational risks

As part of the thermal waste recovery, EEW offers its customers process steam and district heating as well as electricity generated from steam turbines as products. The energy produced must be provided to the customers in contractually defined periods. The operation of thermal waste recovery plants can be restricted or even stopped by certain factors that EEW cannot influence or only to a limited extent. This includes planned or unplanned operational interruptions, plant shutdowns, longer maintenance periods as well as shortage of waste. Furthermore, the disposal of raw slag and filter ash is a critical aspect in plant operation. Unapproved waste fractions could lead to emission limit breaches or fires and thus damage to plant parts. If EEW is not able to fulfill its obligations to supply electricity, steam or district heating in accordance with contract arrangements and the official requirements, there is a risk of compensation payments to customers and loss of reputation. Since possible operational disruptions, emission limit breaches and plant shutdowns can have a significant negative impact on the financial performance, the incineration parameters are monitored continuously by the plant control room using control technology in order to mitigate the risk. Compliance with the emission values through adjustment of the flue gas cleaning is ensured through measurement and control technology. The facilities are regularly checked and maintenance is performed in the course of inspections. 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.

In order to cover various operational risks such as fire and lightning, insurance has been taken out for employees, assets and operations and covers specific losses, taking into account deductions, policy limits and premium costs. However, these insurance policies and the contractual provisions may not cover all cases of lost income or increased expenses. EEW is insured at the individual plant level against risks such as damages from natural forces, operational disruptions etc., however non-insurable circumstances form a certain residual risk. EEW classifies the risk for the entire Group as manageable due to the implemented processes and security measures and the estimated low probability of occurrence.

EEW regularly invests in growth projects that are subject to various official approval processes to secure and expand its own market position. Planning and bidding processes require long-term preparations and communication with the responsible authorities. This process can be delayed due to extensive and detailed local public hearings, legislative amendments, local ordinances or other external factors. EEW counteracts this at an early stage with a communications strategy geared to the relevant stakeholder groups, continuous monitoring of ongoing and planned legislation and anticipating other potential factors. The development and implementation of such projects entails risks with regard to the uncertainty of the underlying assumptions concerning investment volume and the time of completion as well as risks from the application and impact of innovative technologies. Projects could be terminated with the loss of the invested capital, hindering the expansion strategy.

In addition to its own waste incineration plants, EEW also manages the operations of public and private plants based on long-term agreements. If the operational management agreements are not extended after expiry or if they are extended with less favorable conditions, EEW could lose revenue. This is also the case if customers terminate the agreement because EEW did not fulfill its obligations.

Just like its competitors, EEW continuously strives to optimize its operational processes and use more efficient processes and technologies. However it is possible that the financed measures will not lead to the expected results, or that competitors will develop procedures to make the thermal waste recovery process cheaper. If EEW does not benefit from such process optimizations, this could have negative impacts on revenue, profitability and the economic value of the facilities.

EEW's own information systems and that of its providers and suppliers are threatened by increasing and continuously evolving cybersecurity risks that could arise in different forms (such as a virus). Therefore EEW concluded service agreements with the providers of hardware, software and telecommunications services. The services comprise timely maintenance, update and exchange of networks, equipment, IT systems and softwares.

Outlook, opportunities and risks

EEW's ability to meet future operational targets is significantly dependent on the unwavering commitment of its management and workforce. Hiring, training, retaining and motivating highly qualified employees is therefore of key importance. Employees receive intensive training in numerous training units and comprehensive occupational health and safety measures are also taken. In 2020, all German plants were also recertified in audits in accordance with DIN EN ISO 9001/14001/50001 and 45001.

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 KrWG ["Kreislaufwirtschaftsgesetz": German Closed-Loop Recycling Act], the VerpackG ["Verpackungsgesetz": German Packaging Act], the GewAbfV ["German Commercial Waste Ordinance": Gewerbeabfallverordnung], the AbfKlärV ["Klärschlammverordnung":, the German Sewage Sludge Ordinance] or the ongoing discussion on CO_2 pricing (the BEHG ["Brennstoffemissionshandelsgesetz": Fuel Emissions Trading Act]). With regard to the GewAbfV, EEW expects only a minor impact on waste quantities again in 2021. 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 GewAbfV on waste quantities until the end of 2021 at the earliest. The Federal Environment Ministry intends to review the requirements for achieving rates and separate waste collection using a project to evaluate the GewAbfV (completion in fall 2022). This could lead to an amendment of the GewAbfV in addition to recommendations for action. EEW is critically monitoring political discussions surrounding the topic of CO_2 taxation. On 1 January 2021, pricing for CO_2 emissions was implemented in Germany, leading to higher energy prices for all consumers of fossil fuels. The legal basis is the BEHG. This affects, among others, industry, transport companies, facility management and also all private consumers. CO_2 pricing for emissions from thermal waste recovery is scheduled from 2023 onwards. There is a risk that additional costs could arise that would not be able to be fully recharged to customers. The amended VerpackG 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 VerpackG to have a significant effect on the waste incineration business in 2021.

The Netherlands introduced an import tax on waste to be incinerated in 2020. EEW has also taken action here, including renegotiating with customers and redirections, to keep the economic strain on EEW to a minimum. Other plants in the Netherlands also took these measures, such that the neighboring German states of North Rhine-Westphalia and Lower Saxony saw increased competition for the waste volume. However we currently do not anticipate any long-term negative market effects.

The operation of the EEW thermal waste recovery plant in Delfzijl in the Netherlands does not currently have a legal basis. At the beginning of October, the Noord-Nederland District Court accepted the complaint from two Dutch environmental associations and a German citizens' action group against the environmental approval granted by the administration of the Groningen province. After the Supreme Court of the Netherlands declared the land use plan for Oosterhorn to be invalid after a complaint from a citizens' action group, the approval for the third incineration line was also declared invalid. The Groningen province had added and approved the third incineration line to the first and the second within the scope of an old environmental approval from 2007. Due to this possibly impermissible procedure, the license for the first and second lines are also no longer valid. The Groningen province appealed against the decision and sought a temporary injunction from Raad van State, the *highest administrative court* in the Netherlands. EEW is currently in consultation with the responsible authorities to resolve the questions arising from the decision. The Raad van State (Council of State) granted the interim injunctions sought by EEW Delfzijl and the Groningen province in November. EEW Delfzijl is therefore authorized to continue operating all three lines until a decision is reached on the principal matter. The approval in its current form is therefore effective until the final decision. In January 2021, Raad van State published a decision on the issue of internal offsetting of emission limits. According to this, internal offsetting is permitted within the scope of a legally effective approval if it does not increase the environmental impact. It can thus be deduced that under these requirements and with compliance with other limits relevant for the approval, no separate environmental approval is required for a new emission source (here third and fourth lines). In the view of the EEW Group, this implies that the existing environmental approvals for line 3 and the planned line 4 are secured by this legal decision. They were applied for and approved using the internal offsetting method. A hearing is scheduled for June 2021 concerning whether the increase in throughput in 2012/2013 damaged the original approval for 300 thousandmt p.a. As this could mean that the third line does not have the relevant approval, it must therefore be reapproved and equipped with the relevant technology (BAT).

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. External legal advisors are used to assess and mitigate risks imminent risks from a legal perspective. Due to different interpretations of the requirement to pay EEG ["Erneuerbare-Energien-Gesetz": German Renewable Energy Act] surcharges for the operation of electricity generation plants, an action seeking the provision of information on electricity volumes and operator characteristics is pending. This could lead to the risk of having to pay EEG surcharges, however EEW considers it to be low. Appropriate provisions at a suitable level are recognized to provide for possible financial burdens from legal disputes.

Financial risks

The EEW Group works with various customers, providing waste disposal services and supplying energy through electricity and heating/steam. Based on the invoiced services, 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. Since EEW performs its activities in Europe and invoices them almost exclusively in euros, there are limited foreign currency risks only through project activities.

In the course of its business activities, EEW is exposed to financial market risks relating to assets, interest and discount and inflation rates. Hence a change in the discount rate affects the current value of pension provisions. In the course of investing its available cash and cash equivalents, EEW mostly uses time deposits with short notice periods.

It issues letters of comfort to a normal extent in the course of operating activities. The letters of comfort are assessed continuously and the probability of occurrence is determined based on extensive historic data. The EEW Group considers the risks from utilization of these obligations to be low. Letters of comfort and group guarantees were issued in the fiscal year among other things to fulfill payment obligations from the agreement between EEW Energy from Waste Stapelfeld GmbH and a supplier. EEW GmbH issued, among other things, letters of comforts in prior years to subsidiaries to secure services to be performed under disposal agreements or operating licenses in accordance with Sec. 4 BImSchG [“Bundes-Immissionsschutzgesetz”: German Federal Emission Control Act] as well as to cover obligations from the operational management agreement with MHKW Pirmasens Abfallbehandlungs GmbH & Co. KG or obligations from an energy supply agreement.

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 as well as the planned eco-friendly supply of district heating to the town of Brandenburg.

The situation of sewage sludge mono-recovery plants within Germany is currently undergoing various regional developments. The current construction plans in northern Germany will sufficiently cover demand for mono-recovery capacities in northern Germany after the commissioning of the plants. In southern Germany, the development of new sewage sludge mono-recovery plants is not that advanced. A 2020 market study by the State Environment Ministry for Baden-Württemberg determined an additional requirement of mono-recovery capacities of around 120,000mt sewage sludge dry matter. According to recent market studies by leading market research institutes, Bavaria has a further mono-incineration capacity requirement of around 53 kt dry matter. Therefore EEW sees a key growth opportunity for sewage sludge in southern Germany.

EEW also sees growth potential in the rest of Europe. In Austria, the Benelux states and France the political and social acceptance of the use of sewage sludge as a fertilizer in agriculture is decreasing due to the hazardous substances contained in it such as microplastics, pathogens and heavy metals.

Furthermore, there are discussions at EU level on amending the 1986 EU Sewage Sludge Directive in 2021. The EU-wide soil-based sewage sludge recovery is currently still based on this directive on protection of the environment and in particular of the soil, when sewage sludge is used in agriculture. In the course of this amendment, a tightening of limits for heavy metals, pathogens and microplastics for the agricultural use of sewage sludge can be expected.

After the commissioning of the sewage sludge mono-recovery plant in Helmstedt in 2021, EEW will perform an appropriate phosphorous recycling procedure on the ash produced in the incineration process. For this purpose, a cooperation with a relevant company in the region was agreed on in 2020 with the aim of the partner company establishing a production plant with innovative phosphorous recycling technology to produce straight and compound phosphate fertilizers. Using this plant, the phosphate recovered from the sewage sludge ash is to be returned to the circular economy. EEW is thus making a valuable contribution to the conservation of the environment and resources in Germany, much earlier than the legal requirement from 2029 onwards.

Within the EEW Group, optimization can be achieved through operational improvements at the plants: there are plans to obtain additional valuable materials from thermal waste recovery residues (e.g., recovering zinc from flue gas cleaning residues, employing CO_2 to recover the sodium bicarbonate used in flue gas cleaning).

Outlook, opportunities and risks

Digitalization will also contribute to process optimization and efficiency enhancements at EEW. Several projects were continued and initiated in 2020. Truck Tracking involves showing the live capacity of truck deliveries in selected pilot plants of the EEW Group using a user tool software. An analysis tool derives factors and forecasts from the time data collected, in order to optimize the plant performance and reduce the suppliers' stay period. Due to the implementation of intraday trading, EEW can now be active on the electricity exchange at quarter hour intervals – until shortly before beginning delivery. As in this year, EEW as a company will follow up on the data and their appropriate use to streamline processes, make forecasts and increase customer satisfaction in the next years. Even today, the use of artificial intelligence enables forecasts of peak load times to be made for the plants. The new customer portal of EEW is intended to improve customer loyalty through a comprehensive external service and also reduces the workload of the sales department due to streamlined internal processes. Customers can view all relevant documents such as weight data, invoices or claims on their individual homepage. Moreover, they can make disposal requests themselves and have an overview of their current and processed disposal orders. The implementation of digital signatures has also made internal processes faster and more effective. The travel restrictions imposed due to the coronavirus pandemic underlined the need for legally valid signatures regardless of location and this project was thus accelerated with implementation planned for 2021.

The EU Waste Framework Directive and especially the Landfill Directive, with its target of reducing the landfill volume to under 10% by 2035 (status quo: 25%) have a future potential of nearly 30 millionmt even with the achievement of the set recycling targets. The general trend of an increase in residual waste after sorting (due to the import ban from China, non-recyclable composites in packaging and stricter limit requirements for sorting) exceeds the conservative estimate. There were also positive effects from the shutdown of coal-fired power stations, mechanical biological waste treatment plants, which offset risks stemming from the GewAbfV, new capacities and the planned increase in the use of RDF in cement plants. Additionally, the German import surplus for waste fell in the past few years. That is, despite high exports and declining imports, the waste incineration market is shaped by high plant capacity utilization and a capacity shortage. However, the Dutch RDF import tax and the introduction of an incineration tax in Sweden in 2020 as well as the restrictions on RDF imports in Denmark (through the climate plan recently adopted by the Danish government) could lead to a decrease in exports and thus ensure long-term stability for the waste market. Waste quantities are expected to rise further due to stabilizing factors, such as increased spending and a growing population.

EEW intends to expand its role as a leader in resource conservation and sustainable energy generation for industry and households in Europe. As an integral part of the circular economy, the EEW Group is actively helping to protect the environment and thus human and animal health.

Sustainable horizontal and vertical growth, digitalization of processes and technological innovations throughout the value chain will be the key success factors.

Helmstedt, 19 March 2021

EEW Holding GmbH

The Management Board

Kemper Hauck Manns

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.

[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.

(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.