EEW Holding GmbH
Helmstedt

Short-form audit report
Consolidated financial statements and group management report
31 December 2022

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Courtesy Translation

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

Building a better
working world

Translation from the German language

Table of contents

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, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2022 to 31 December 2022, and the consolidated statement of financial position as at 31 December 2022, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2022 to 31 December 2022, 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 2022 to 31 December 2022.

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

- the accompanying consolidated financial statements comply, in all material respects, with the 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 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022, 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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, 24 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022

Translation from the German language

EEW Holding GmbH

Helmstedt

Translation from the German language

Table of contents

CONSOLIDATED FINANCIAL STATEMENTS 1

1. Consolidated income statement 3
2. Consolidated statement of comprehensive income 5
3. Consolidated statement of financial position 6
4. Consolidated statement of cash flows 9
5. Consolidated statement of changes in equity 10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 13

1. General information 15
2. Basis of preparation 16
3. Consolidation 27
4. Foreign currency translation 30
5. Notes to the consolidated income statement 31
6. Notes to the consolidated statement of financial position 36
7. Statement of cash flows 61
8. Contingent liabilities and other financial obligations 63
9. Related parties 64
10. Auditor’s fees 66
11. Events after the reporting period 66
12. Management board 67

CONSOLIDATED FINANCIAL STATEMENTS

Translation from the German language

1. Consolidated income statement

Figures in EUR k		2022	2021
Revenue from contracts with customers	5.1	**715,516**	**659,042**
Own work capitalized		**3,671**	**1,847**
Other operating income	5.2	**24,398**	**23,419**
Cost of materials	5.3		
Cost of raw materials, consumables and supplies and of purchased merchandise		86,338	63,586
Cost of purchased services		218,734	209,062
Total cost of materials		**305,072**	**272,648**
Personnel expenses	5.4		
Wages and salaries		95,025	85,601
Social security costs		17,200	14,990
Pension costs		5,960	4,711
Other personnel expenses		80	44
Total personnel expenses		**118,265**	**105,346**
Amortization, depreciation and impairment			
Amortization and impairment of intangible assets	6.1	11,414	12,664
Depreciation and impairment of property, plant and equipment	6.1	83,209	74,061
Total amortization, depreciation and impairment	6.1	**94,623**	**86,725**

Translation from the German language

Figures in EUR k		2022	2021
Other operating expenses	5.5	**79,060**	**73,163**
EBIT		**146,565**	**146,426**
Interest and similar income		5,876	6,876
Interest and similar expenses		3,750	5,617
Share of results of associates and joint ventures		1,007	1,230
Financial result	5.6	**3,133**	**2,489**
Earnings before taxes		**149,698**	**148,915**
Income taxes	5.7		
Current taxes		-51,891	-48,298
Deferred taxes		6,857	4,430
Total income taxes		**-45,034**	**-43,868**
Consolidated profit for the period		**104,664**	**105,047**
– thereof non-controlling interests		13,910	15,796
– thereof shareholders of EEW Holding GmbH		90,754	89,251

Translation from the German language

2. Consolidated statement of comprehensive income

Figures in EUR k		**2022**	**2021**
Consolidated profit for the period		**104,664**	**105,047**
Items that will not subsequently be reclassified to profit or loss			
Actuarial gains/losses	6.7	51,402	11,560
thereof income tax		-15,471	-3,478
Changes in the fair value of equity instruments		-27,199	3,898
Items that may subsequently be reclassified to profit or loss under certain conditions			
Exchange differences from the translation of foreign operations		4	0
– thereof unrealized change		4	0
Other comprehensive income		**8,736**	**11,980**
Total comprehensive income		**113,400**	**117,027**
– thereof non-controlling interests		14,356	15,934
– thereof shareholders of EEW Holding GmbH		99,044	101,093

Translation from the German language

3. Consolidated statement of financial position

ASSETS **Figures in EUR k**		**31 Dec 2022**	**31 Dec 2021**
Non-current assets			
Intangible assets	6.1	**43,278**	**50,239**
Property, plant and equipment	6.1	**980,487**	**882,730**
Financial assets	6.2	**29,446**	**56,634**
Receivables and other assets			
Finance lease receivables (lessor)	6.11	50,717	62,376
Other receivables and other assets	6.4	7,177	5,423
Total receivables and other assets		**57,894**	**67,799**
Deferred tax assets	6.5	**15,323**	**33,317**
Total non-current assets		**1,126,428**	**1,090,719**
Current assets			
Inventories	6.3	**28,526**	**23,728**
Receivables and other assets			
Trade receivables and contract assets	6.4	119,284	107,642
Current tax assets	6.4	5,213	4,395
Finance lease receivables (lessor)	6.11	11,659	10,629
Other receivables and other assets	6.4	22,264	113,506
Total receivables and other assets		**158,420**	**236,172**
Cash and cash equivalents		**53,876**	**93,808**
Total current assets		**240,822**	**353,708**
Total assets		**1,367,250**	**1,444,427**

Translation from the German language

EQUITY AND LIABILITIES Figures in EUR k		31 Dec 2022	31 Dec 2021
Equity			
Subscribed capital	6.6	1,000	1,000
Capital reserves	6.6	275,900	275,900
Other revenue reserves/profit or loss carryforward	6.6	155,942	138,001
Profit or loss attributable to controlling interests		90,754	89,251
Equity attributable to the shareholders of EEW Holding GmbH		**523,596**	**504,152**
Non-controlling interests	3	**56,818**	**60,591**
Total equity		**580,414**	**564,743**
Long-term liabilities			
Pension provisions	6.7	49,119	98,255
Other provisions	6.8	21,014	32,547
Bonds	6.9	398,628	398,628
Liabilities to banks	6.9	19,982	19,982
Lease liabilities	6.11	6,999	8,121
Other financial liabilities	6.9	28,748	314
Investment grants		9,944	10,227
Other liabilities		860	1,076
Deferred tax liabilities	6.5	74,362	83,742
Total non-current liabilities		**609,656**	**652,892**
Short-term liabilities			
Other tax provisions	6.8	2,496	3,018
Other provisions	6.8	19,442	17,412
Bonds	6.9	722	335
Liabilities to banks	6.9	139	71,371
Lease liabilities	6.11	2,114	2,076
Trade payables		92,308	75,173
Income tax liabilities		38,027	34,825
Other liabilities		21,932	22,582
Total current liabilities		**177,180**	**226,792**
Total equity and liabilities		**1,367,250**	**1,444,427**

Translation from the German language

4. Consolidated statement of cash flows

Figures in EUR k			2022	2021
	Profit/loss for the period		**104,664**	**105,047**
+/-	Tax expense/income	5.7	45,034	43,868
-	Investment result		-1,007	-1,230
-	Interest income		-5,876	-6,876
+	Interest expenses		3,750	5,617
+	Amortization, depreciation and impairment	6.1	94,623	86,725
+/-	Increase/decrease in pension provisions		-14,816	-4,257
+/-	Increase/decrease in other tax provisions		-522	2,182
+/-	Increase/decrease in other provisions		3,166	3,962
+/-	Other non-cash expenses and income		14,297	3,530
+/-	Losses/income on disposals of property, plant and equipment		3,207	223
-/+	Increase/decrease in inventories		-4,798	-65
-/+	Increase/decrease in trade receivables		-11,642	-27,913
-/+	Increase/decrease in other receivables and other assets		29,615	13,003
+/-	Increase/decrease in trade payables		23,844	14,418
+/-	Increase/decrease in other liabilities		-1,149	2,260
+	Dividends received		1,007	1,230
+	Interest received		5,378	6,372
-	Interest paid		-2,439	-6,018
-	Income tax paid/refunded		-49,507	-47,700
-/+	Increase/decrease in short-term loans to shareholders		44,000	-84,000
	Cash flows from operating activities		**280,829**	**110,378**
+	Cash received from disposals of intangible assets	6.1	3,072	1,084
-	Cash paid for investments in intangible assets	6.1	-7,526	-3,363
+	Cash received from disposals of property, plant and equipment	6.1	206	3,464
-	Cash paid for investments in property, plant and equipment	6.1	-200,731	-189,924
+	Cash received from disposals of financial assets		0	1
-	Cash paid for investments in financial assets		-10	0
	Cash flows from investing activities		**-204,989**	**-188,738**
-	Repayments of short-term borrowings	7	-71,000	0
+	Cash received from long-term bank loans	7	28,420	398,641
-	Repayments of long-term borrowings	7	0	-317,705
-	Cash outflow for the repayment of lease liabilities	7	-2,463	-2,546
-	Dividends paid to the shareholder of the parent company		-52,600	-34,170
-	Dividends paid to non-controlling interests		-18,129	-17,569
	Cash flows from financing activities		**-115,772**	**26,651**
	Change in cash and cash equivalents		**-39,932**	**-51,709**
	Cash and cash equivalents at the beginning of the fiscal year		**93,808**	**145,517**
+/-	Change in cash and cash equivalents due to exchange rate changes		0	0
	Cash and cash equivalents at end of the fiscal year		**53,876**	**93,808**

Translation from the German language

5. Consolidated statement of changes in equity

Figures in EUR k	Subscribed capital	Capital reserves	Other revenue reserves, profit or loss carryforward, consolidated profit	Reserve for the currency translation of foreign companies
As of 1 Jan 2022	**1,000**	**275,900**	**232,826**	**47**
Consolidated profit for the period	0	0	90,754	0
Other comprehensive income	0	0	0	4
Total comprehensive income	**0**	**0**	**90,754**	**4**
Dividends paid	0	0	-79,600	0
Other reclassifications	0	0	0	0
As of 31 Dec 2022	**1,000**	**275,900**	**243,980**	**51**

Figures in EUR k	Subscribed capital	Capital reserves	Other revenue reserves, profit or loss carryforward, consolidated profit	Reserve for the currency translation of foreign companies
As of 1 Jan 2021	**1,000**	**275,900**	**202,618**	**47**
Consolidated profit for the period	0	0	89,251	0
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**89,251**	**0**
Dividends paid	0	0	-59,200	0
Other reclassifications	0	0	157	0
As of 31 Dec 2021	**1,000**	**275,900**	**232,826**	**47**

Translation from the German language

Figures in EUR k	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
As of 1 Jan 2022	**-32,794**	**27,173**	**504,152**	**60,591**	**564,743**
Consolidated profit for the period	0	0	90,754	13,910	104,664
Other comprehensive income	35,387	-27,101	8,290	446	8,736
Total comprehensive income	**35,387**	**-27,101**	**99,044**	**14,356**	**113,400**
Dividends paid	0	0	-79,600	-18,129	-97,729
Other reclassifications	0	0	0	0	0
As of 31 Dec 2022	**2,593**	**72**	**523,596**	**56,818**	**580,414**

Figures in EUR k	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
As of 1 Jan 2021	**-40,752**	**23,289**	**462,102**	**62,383**	**524,485**
Consolidated profit for the period	0	0	89,251	15,796	105,047
Other comprehensive income	7,958	3,884	11,842	138	11,980
Total comprehensive income	**7,958**	**3,884**	**101,093**	**15,934**	**117,027**
Dividends paid	0	0	-59,200	-17,569	-76,769
Other reclassifications	0	0	157	-157	0
As of 31 Dec 2021	**-32,794**	**27,173**	**504,152**	**60,591**	**564,743**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Translation from the German language

1. General information

EEW Holding GmbH (EEW Holding, Braunschweig Local Court, 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 2022, 13 out of currently 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 2022 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 through 31 December 2022 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 24 March 2023. The shareholders may amend the consolidated financial statements after release for publication.

Translation from the German language

2. Basis of preparation

The consolidated financial statements are prepared on an amortized or depreciated cost basis. Certain financial assets are measured at fair value. See our notes on financial instruments for further information.

Recognition of revenue and expenses

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

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

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

1. Identify the contract(s) with a customer
2. Identify the separate performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
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, EEW identifies 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.

Translation from the German language

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 obligation under energy contracts consists 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 and generally range from 7 to 30 days.

4. Allocate the transaction price to the performance obligations

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.

Translation from the German language

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 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.

CO_2 emission allowances are recognized under intangible assets and are not amortized.

Translation from the German language

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

<u>Intangible assets</u>	
Software, licenses and patents	1 to 8 years
Customer-related intangible assets (agreements and similar)	up to 17 years
<u>Property, plant and equipment</u>	
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 cost of an asset; 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. For funds borrowed specifically for a qualifying asset, the interest rate on these borrowings is applicable.

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.

Translation from the German language

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.

Inventories

Inventories are valued at cost 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.

Translation from the German language

Financial instruments

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

Financial assets – first-time recognition and measurement

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

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

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

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

Financial assets at amortized cost (debt instruments held)

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

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

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

Valuation 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.

Translation from the German language

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 seven years taking into account the geographic location. These rates are also adjusted to the present conditions as well as the current economic developments.

Translation from the German language

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

Impairment matrix	31 Dec 2022	31 Dec 2021
Status	**Expected credit loss rates (weighted average)**	
Not due		
1 to 30 days past due	0.07%	0.07%
31 to 60 days past due	0.01%	0.14%
61 to 90 days past due	0.10%	0.00%
More than 90 days past due	0.02%	15.42%

<u>Financial liabilities</u>

All financial liabilities are measured at amortized cost using the effective interest method. At EEW, this category includes bonds, 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 the 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.

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.

Translation from the German language

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, measurement of financial instruments at fair value, accounting for pension and other provisions and for impairment testing in accordance with IAS 36.

One notable development in 2022 was the effect of the increase in the discount rate on pension provisions, which decreased by EUR 49,136k in the fiscal year. The effect of the discount rate change was recorded under other comprehensive income. The unwinding of the discount next year will be based on this higher discount.

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 fair value of financial assets measured at fair value through other comprehensive is calculated using a discounted cash flow model based on the forecast. The underlying discount rate is estimated based on a risk-free market interest rate, adjusted by a suitable credit risk premium.

Translation from the German language

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

Effects of the coronavirus pandemic and the Russia-Ukraine war

The social and economic environment in fiscal year 2022 was mainly shaped by the Russia-Ukraine war that began in February 2022 as well as the ongoing coronavirus pandemic. These events and the related geopolitical situation affected the economic activity, led to high inflation, rising interest rates and ongoing supply shortages and thus caused significant uncertainties surrounding the economic development.

To date, the war in Ukraine and the coronavirus pandemic have not had a material impact on EEW's business activities and thus its assets, liabilities, financial position and financial performance. In this difficult economic environment, EEW recorded a lower quantity of waste accepted compared to the prior year, though the decrease in waste revenue was more than offset by an increase in energy revenue in fiscal year 2022. The effects of the skimming of windfall profits are discussed in 6.8 Other provisions. An obligation to transfer profits is recognized as of 31 December 2022. Overall, coronavirus-related additional costs amounted to EUR 1,820k in fiscal year 2022 (prior year: EUR 3,642k). In addition, the operations of the EEW facilities were maintained by way of consistent implementation of extensive hygiene and organizational measures.

The liquidity is not at risk since, to date, there are no indications of an increase in payment defaults by customers.

EEW's financial and economic situation thus remains stable overall, so there are no significant impairment risks.

This assessment is based on the information available at present. If the pandemic situation or the Russia-Ukraine war were to worsen, this could have negative effects on the EEW Group's assets, liabilities, financial position and financial performance.

Effects of new or revised accounting standards and interpretations

Standard/interpretation			Mandatory application in the EU	Endorse-ment
Amend-ment	IFRS 3	Reference to the Conceptual Framework	1 Jan 2022	Yes
Amend-ment	IAS 16	Proceeds before Intended Use	1 Jan 2022	Yes
Amend-ment	IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 Jan 2022	Yes
Amend-ment	IFRS 1, IFRS 9, IFRS 16	Annual Improvements to IFRSs 2018-2020 Cycle	1 Jan 2022	Yes

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

Translation from the German language

New accounting standards and interpretations not yet applied

The following accounting standards and interpretations published by the IASB by the reporting date may be relevant for EEW but will only become effective at a later date. When they have already been endorsed by the EU, the date of mandatory first-time adoption in the EU is shown; otherwise the date of mandatory first-time adoption stated by the IASB is shown. The EEW Group will adopt the amendments no earlier than the date of mandatory application.

Standard/interpretation			Mandatory application in the EU	Endorse-ment
Amend-ment	IAS 1	Disclosure of Accounting Policies	1 Jan 2023	Yes
Amend-ment	IAS 8	Definition of Accounting Estimates	1 Jan 2023	Yes
Amend-ment	IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	Yes
Amend-ment	IAS 1	Classification of Liabilities as Current or Non-Current	1 Jan 2024	No
Amend-ment	IAS 1	Non-current Liabilities with Covenants	1 Jan 2024	No
Amend-ment	IFRS 16	Lease Liability in a Sale and Leaseback	1 Jan 2024	No

The company will evaluate the effects of the changes on the EEW Group’s consolidated financial statements.

Translation from the German language

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 2022	Share of capital as of 31 Dec 2021
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
NEEW Ventures GmbH	Berlin *	100	100

* 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.

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.

Translation from the German language

Name	Registered office	Share of capital in %	Equity* 31 Dec 2021 in EUR k	Profit or loss* for 2021 in EUR k
Non-consolidated subsidiaries				
EEW Vermögensverwaltungs-GmbH	Helmstedt	100	10	1
Kraftwerk Schwedt Verwaltungsgesellschaft mbH	Schwedt/Oder	100	156	7
EEW Energy from Waste Stavenhagen Verwaltungs GmbH	Stavenhagen	100	157	5
TREA Breisgau Betriebsgesellschaft mbH	Eschbach	100	289	11
Joint ventures				
EBS Kraftwerk GmbH	Hürth	50	351	-129
Entsorgungszentrum Salzgitter GmbH	Salzgitter	50	5,477	907
Slibverwerking Noord Oost Neederland B.V. **	Opheusden	50	-	-
Associates				
AVA Velsen GmbH	Saarbrücken	49	5,115	0
TREA Breisgau Energieverwertung GmbH	Eschbach	30	851	-23

* Most recent financial statements according to German GAAP (HGB)
** Entity established in December 2022

The revenue and total assets of the non-consolidated subsidiaries amount to 2.1% 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	
		2022	2021	2022	2021	2022	2021
MHKW Rothensee GmbH	Magdeburg	49	49	11,703	14,251	47,462	51,815
Other subsidiaries with non-controlling interests						9,356	8,776
Total non-controlling interests						**56,818**	**60,591**

Translation from the German language

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

MHKW Rothensee GmbH **Figures in EUR k**	**2022**	**2021**
Revenue	85,202	88,949
Current assets	34,290	30,843
Non-current assets	155,963	132,759
Current liabilities	8,846	12,690
Non-current liabilities	84,909	45,561
Profit for the period	**23,795**	**29,811**
Other comprehensive income	**436**	**103**
Total comprehensive income	**24,231**	**29,914**
Dividends paid to non-controlling interests	**16,211**	**15,611**
Cash flows from operating activities	19,316	38,153
Cash flows from investing activities	-39,907	-18,924
Cash flows from financing activities	24,539	-31,915
Total cash flows	**3,948**	**-12,686**

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 2022.

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.

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 interests and accumulated amounts in other comprehensive income (except the measurement effects relating to pensions and changes in fair value relating to specific financial assets) are derecognized. The deconsolidation result is presented in other operating income or other operating expenses.

Translation from the German language

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 are 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.:

	2022		2021	
	Average rate in EUR	Closing rate in EUR	Average rate in EUR	Closing rate in EUR
1 Polish zloty	0.21	0.21	0.22	0.22

Translation from the German language

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 582,028k; prior year: EUR 528,278k) and from the operational management of individual waste incineration facilities (EUR 80,975k; prior year: EUR 84,196k).

Revenue breakdown

The following tables shows the breakdown of the Group's revenue from contracts with customers:

Figures in EUR k	2022		
Revenue recognition	**Revenue recognized at a point in time**	**Revenue recognized over time**	**Total**
Type of goods or service			
Waste	360,739	0	360,739
Energy	0	221,289	221,289
Operational management	0	80,975	80,975
Other revenue	47,469	5,044	52,513
Total	**408,208**	**307,308**	**715,516**

Figures in EUR k	2021		
Revenue recognition	**Revenue recognized at a point in time**	**Revenue recognized over time**	**Total**
Type of goods or service			
Waste	386,446	0	386,446
Energy	0	141,832	141,832
Operational management	0	84,196	84,196
Other revenue	42,685	3,883	46,568
Total	**429,131**	**229,911**	**659,042**

Translation from the German language

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

Figures in EUR k	2022	2021
Geographical markets		
Germany	594,269	562,900
Netherlands	99,205	81,467
Luxembourg	22,042	14,675
Total	**715,516**	**659,042**

Contract balances

Figures in EUR k	31 Dec 2022	31 Dec 2021
Trade receivables	76,736	80,554
Contract assets	42,548	27,088
Contract liabilities	-850	-900
Total	**118,434**	**106,742**

5.2 Other operating income

Figures in EUR k	2022	2021
Other operating income		
Income from the allocation of costs for goods and services	8,673	6,726
Refunds and damages	5,903	3,445
Income from the reversal of provisions	1,680	3,728
Income from energy tax refunds	1,634	3,169
Income from sales of scrap and materials	841	802
Income from the release of investment grants	283	280
Rental and lease income	238	432
Miscellaneous other operating income	5,146	4,837
Total other operating income	**24,398**	**23,419**

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.

Translation from the German language

5.4 Personnel expenses

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

	2022	2021
Wage earners	753	734
Salaried employees	590	527
Inactive employees	14	12
Total	**1,357**	**1,273**

Translation from the German language

5.5 Other operating expenses

Figures in EUR k	2022	2021
Other operating expenses		
Other purchased services and allocation of costs for goods and services	14,164	15,339
Insurance premiums, fees and contributions	12,021	9,073
IT costs	9,799	9,726
Audit and advisory fees	4,945	4,258
Court, notary and lawyers' fees	4,919	434
Other taxes	4,186	5,317
Expenses for insurance claims	426	3,337
Training, travel expenses	3,971	2,730
Rents and leases	3,801	2,626
Advertising and marketing expenses	3,523	1,926
Losses on the disposal of property, plant and equipment	3,287	985
Impairment losses on current assets	2,266	2,439
Repair and maintenance expenses	1,252	1,253
Voluntary social benefits	1,006	1,616
Office expenses	484	503
Disposal of soil	0	1,000
Miscellaneous other operating expenses	9,010	10,601
Total other operating expenses	**79,060**	**73,163**

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 927k (prior year: EUR 1,263k). Due to repayment of the fixed tranche of the promissory note loan in August 2022, the group-wide borrowing rate decreased from 0.54% to 0.43% from September 2022 onwards. The loan taken out from a subsidiary in the fiscal year for the purpose of financing a qualifying asset bears interest at a rate of 1.6%.

The investment result mainly comprises profit transfers and dividends.

Translation from the German language

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 – and from 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%.

Due to the increase in the earnings of the fully consolidated partnerships and the foreign subsidiaries, both the trade tax adjustments and effects from differences in tax rates increased disproportionately.

The decrease in out-of-period tax income and expenses is largely attributable to the prior-year update to the uncertain tax position.

The increase in effects from permanent differences is mainly due to higher withdrawals of prior-year profits from partnerships.

Figures in EUR k	**2022**	**2021**
Consolidated profit before income taxes	149,698	148,915
Expected tax expense 30% (prior year: 30%)	**-44,909**	**-44,675**
Income tax reductions on distributed dividends and sale proceeds	286	231
Tax effects on tax-free income	1	0
Tax effects on non-deductible operating expenses	-3,316	-2,992
Trade tax add-backs/deductions	2,273	1,877
Out-of-period taxes	-338	1,392
Effects from differences between entity and group tax rates	4,080	2,816
Loss/interest carryforwards	-46	0
Permanent differences	-3,120	-2,476
Other	55	-41
Effective tax expense	**-45,034**	**-43,868**
Effective tax rate	**30%**	**29%**

Translation from the German language

6. Notes to the consolidated statement of financial position

6.1 Intangible assets and property, plant and equipment

Intangible assets

EEW has significant intangible assets with a finite useful life, mostly deriving from the contractual customer relationships identified in the purchase price allocation (PPA) recognized when control was obtained by EEW Holding on 31 March 2013. These include long-term disposal agreements with municipalities and operational management agreements. The customer relationships were valued on the acquisition date using the multi-period excess earnings method. The revenue from the customer relationships of the individual companies in the EEW Group was taken from the EEW Group's business plan. The useful life is the contractual term. The agreements are amortized over their remaining useful lives of up to seven years on the reporting date (net carrying amount of the intangible assets as of 31 December 2022 of EUR 43,278k; prior year: EUR 50,239k). Amortization of intangible assets amounted to EUR 11,414k in fiscal year 2022 (prior year: EUR 12,664k). No impairment losses were charged in fiscal year 2022 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 12,317k (prior year: EUR 13,040k). Additions of right-of-use assets during fiscal year 2022 came to EUR 1,330k (prior year: EUR 1,269k).

Depreciation of property, plant and equipment totaled EUR 83,209k in fiscal year 2022 (prior year: EUR 74,061k). This includes depreciation of recognized right-of-use assets in the amount of EUR 2,041k (prior year: EUR 2,218k). No impairment losses were charged in fiscal year 2022 or in the prior year.

Of the disposals from the cost of property, plant and equipment of EUR 21,633k, EUR 11,647k relates to the pro rata release of an asset retirement obligation. Please also see note 6.8.

Translation from the German language

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

2022

Intangible assets and property, plant and equipment
Development of cost

Figures in EUR k	As of 1 Jan 2022	Additions	Disposals	Reclassifi-cations	As of 31 Dec 2022
Customer-related intangible assets	272,734	0	0	0	272,734
Technology-related intangible assets	8,253	1,638	-77	78	9,892
CO_2 emission allowances	3,941	5,887	-3,150	0	6,678
Intangible assets	**284,928**	**7,525**	**-3,227**	**78**	**289,304**
Land and land rights (owned)	25,125	0	-22	0	25,103
Rights of use for land	5,159	91	0	0	5,250
Land and land rights	**30,284**	**91**	**-22**	**0**	**30,353**
Buildings, including buildings on third-party land (owned)	128,515	7,749	-1,952	805	135,117
Rights of use for buildings, including buildings on third-party land	2,532	392	-41	0	2,883
Buildings, including buildings on third-party land	**131,047**	**8,141**	**-1,993**	**805**	**138,000**
Plant and machinery (owned)	982,400	39,516	-15,091	65,995	1,072,820
Rights of use for plant and machinery	11,573	1	-1,361	0	10,213
Plant and machinery	**993,973**	**39,517**	**-16,452**	**65,995**	**1,083,033**
Other equipment, furniture and fixtures (owned)	23,578	2,491	-192	247	26,124
Rights of use for other equipment, furniture and fixtures	2,868	846	-229	0	3,485
Other equipment, furniture and fixtures	**26,446**	**3,337**	**-421**	**247**	**29,609**
Prepayments and assets under construction	**227,139**	**145,193**	**-2,745**	**-67,125**	**302,462**
Property, plant and equipment	**1,408,889**	**196,279**	**-21,633**	**-78**	**1,583,457**
Intangible assets and property, plant and equipment	**1,693,817**	**203,804**	**-24,860**	**0**	**1,872,761**

Translation from the German language

Accumulated amortization, depreciation and impairment and net carrying amounts

Figures in EUR k	As of 1 Jan 2022	Additions	Disposals	As of 31 Dec 2022	Carrying amount 31 Dec 2022
Customer-related intangible assets	-229,752	-10,243	0	-239,995	32,739
Technology-related intangible assets	-4,937	-1,171	77	-6,031	3,861
CO_2 emission allowances	0	0	0	0	6,678
Intangible assets	**-234,689**	**-11,414**	**77**	**-246,026**	**43,278**
Land and land rights (owned)	-254	-5	0	-259	24,844
Rights of use for land	-690	-233	0	-923	4,327
Land and land rights	**-944**	**-238**	**0**	**-1,182**	**29,171**
Buildings, including buildings on third-party land (owned)	-48,591	-4,257	47	-52,801	82,316
Rights of use for buildings, including buildings on third-party land	-1,590	-565	41	-2,114	769
Buildings, including buildings on third-party land	**-50,181**	**-4,822**	**88**	**-54,915**	**83,085**
Plant and machinery (owned)	-455,680	-73,718	4,558	-524,840	547,980
Rights of use for plant and machinery	-5,170	-435	1,361	-4,244	5,969
Plant and machinery	**-460,850**	**-74,153**	**5,919**	**-529,084**	**553,949**
Other equipment, furniture and fixtures (owned)	-12,542	-3,188	174	-15,556	10,568
Rights of use for other equipment, furniture and fixtures	-1,642	-808	217	-2,233	1,252
Other equipment, furniture and fixtures	**-14,184**	**-3,996**	**391**	**-17,789**	**11,820**
Prepayments and assets under construction	**0**	**0**	**0**	**0**	**302,462**
Property, plant and equipment	**-526,159**	**-83,209**	**6,398**	**-602,970**	**980,487**
Intangible assets and property, plant and equipment	**-760,848**	**-94,623**	**6,475**	**-848,996**	**1,023,765**

Translation from the German language

2021

Intangible assets and property, plant and equipment
Development of cost

Figures in EUR k	As of 1 Jan 2021	Additions	Disposals	Reclassifi-cations	As of 31 Dec 2021
Customer-related intangible assets	334,911	0	-62,177	0	272,734
Technology-related intangible assets	8,696	270	-717	4	8,253
CO_2 emission allowances	1,936	3,092	-1,087	0	3,941
Intangible assets	**345,543**	**3,362**	**-63,981**	**4**	**284,928**
Land and land rights (owned)	25,200	0	-75	0	25,125
Rights of use for land	5,072	87	0	0	5,159
Land and land rights	**30,272**	**87**	**-75**	**0**	**30,284**
Buildings, including buildings on third-party land (owned)	119,186	5,002	-511	4,838	128,515
Rights of use for buildings, including buildings on third-party land	2,404	128	0	0	2,532
Buildings, including buildings on third-party land	**121,590**	**5,130**	**-511**	**4,838**	**131,047**
Plant and machinery (owned)	897,198	88,874	-17,276	13,604	982,400
Rights of use for plant and machinery	11,607	0	-34	0	11,573
Plant and machinery	**908,805**	**88,874**	**-17,310**	**13,604**	**993,973**
Other equipment, furniture and fixtures (owned)	21,088	3,379	-1,205	316	23,578
Rights of use for other equipment, furniture and fixtures	2,157	1,054	-343	0	2,868
Other equipment, furniture and fixtures	**23,245**	**4,433**	**-1,548**	**316**	**26,446**
Prepayments and assets under construction	**138,439**	**107,462**	**0**	**-18,762**	**227,139**
Property, plant and equipment	**1,222,351**	**205,986**	**-19,444**	**-4**	**1,408,889**
Intangible assets and property, plant and equipment	**1,567,894**	**209,348**	**-83,425**	**0**	**1,693,817**

Translation from the German language

Accumulated amortization, depreciation and impairment and net carrying amounts

Figures in EUR k	As of 1 Jan 2021	Additions	Disposals	As of 31 Dec 2021	Carrying amount 31 Dec 2021
Customer-related intangible assets	-280,467	-11,462	62,177	-229,752	42,982
Technology-related intangible assets	-4,453	-1,202	718	-4,937	3,316
CO_2 emission allowances	0	0	0	0	3,941
Intangible assets	**-284,920**	**-12,664**	**62,895**	**-234,689**	**50,239**
Land and land rights (owned)	-249	-5	0	-254	24,871
Rights of use for land	-458	-232	0	-690	4,469
Land and land rights	**-707**	**-237**	**0**	**-944**	**29,340**
Buildings, including buildings on third-party land (owned)	-44,012	-4,849	270	-48,591	79,924
Rights of use for buildings, including buildings on third-party land	-994	-596	0	-1,590	942
Buildings, including buildings on third-party land	**-45,006**	**-5,445**	**270**	**-50,181**	**80,866**
Plant and machinery (owned)	-405,587	-64,045	13,952	-455,680	526,720
Rights of use for plant and machinery	-4,612	-592	34	-5,170	6,403
Plant and machinery	**-410,199**	**-64,637**	**13,986**	**-460,850**	**533,123**
Other equipment, furniture and fixtures (owned)	-10,761	-2,944	1,163	-12,542	11,036
Rights of use for other equipment, furniture and fixtures	-1,187	-798	343	-1,642	1,226
Other equipment, furniture and fixtures	**-11,948**	**-3,742**	**1,506**	**-14,184**	**12,262**
Prepayments and assets under construction	**0**	**0**	**0**	**0**	**227,139**
Property, plant and equipment	**-467,860**	**-74,061**	**15,762**	**-526,159**	**882,730**
Intangible assets and property, plant and equipment	**-752,780**	**-86,725**	**78,657**	**-760,848**	**932,969**

Translation from the German language

6.2 Financial assets

Financial assets include investments in affiliates, joint ventures and associates of EUR 19,443k (prior year: EUR 46,632k) 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. 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 3k; prior year: EUR 2k) are included under financial assets.

6.3 Inventories

Inventories comprise raw materials, consumables and supplies. Impairments of EUR 370k were expensed in the fiscal year (prior year: reversal of impairments of EUR 132k).

6.4 Receivables and other assets

Trade receivables and contract assets break down as follows:

Figures in EUR k	31 Dec 2022	31 Dec 2021
Trade receivables	76,736	80,554
Contract assets	42,548	27,088
Total	**119,284**	**107,642**

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

Figures in EUR k	31 Dec 2022	31 Dec 2021
Unimpaired receivables		
Neither past due nor impaired	101,479	101,312
1 to 30 days past due, unimpaired	11,072	5,219
More than 31 days past due, unimpaired	6,587	1,111
Total unimpaired receivables	**119,138**	**107,642**
Impaired receivables		
Gross receivables	5,540	3,481
Specific bad debt allowances	-5,394	-3,481
Total impaired receivables	**146**	**0**
Total	**119,284**	**107,642**

Trade receivables include receivables amounting to EUR 6,262k (prior year: EUR 6,536k) 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.

Translation from the German language

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

Figures in EUR k	2022	2021
As of 1 Jan	**3,481**	**2,826**
+ Additions	1,913	660
- Utilizations (realized impairments)	0	0
- Reversals (impairments no longer required)	0	-5
As of 31 Dec	**5,394**	**3,481**

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 7,177k include prepaid expenses and a loan receivable from a minority shareholder of a subsidiary. Other current receivables and assets of EUR 27,477k primarily include receivables from related parties (note 9), reimbursement claims, tax receivables and prepayments.

6.5 Deferred taxes

	31 Dec 2022		31 Dec 2021	
Figures in EUR k	**Asset**	**Liability**	**Asset**	**Liability**
Deferred taxes	**15,323**	**74,362**	**33,317**	**83,742**
thereof recognized in profit or loss	-2,523	9,380	-2,113	6,543

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 2022	31 Dec 2021
Deferred tax assets on property, plant and equipment	2,614	1,921
Deferred tax assets on financial assets	251	243
Deferred tax assets on inventories	110	110
Deferred tax assets on provisions	11,183	29,892
Deferred tax assets on liabilities	1,165	1,151
Total deferred tax assets	**15,323**	**33,317**

Figures in EUR k	31 Dec 2022	31 Dec 2021
Deferred tax liabilities on intangible assets	9,459	12,390
Deferred tax liabilities on property, plant and equipment	56,641	62,573
Deferred tax liabilities on receivables and other assets	7,382	7,617
Deferred tax liabilities on liabilities	880	1,162
Total deferred tax liabilities	**74,362**	**83,742**

Deferred taxes are based on tax rates of 16% for corporate income tax (including solidarity surcharge) and 14% for trade tax.

Translation from the German language

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 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 2022, EUR 79,600k was distributed to the shareholders of EEW Holding for fiscal year 2021. 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 81,739k (prior year: EUR 131,175k) contrast with plan assets with a fair value of EUR 32,620k as of 31 December 2022 (prior year: EUR 32,920k).

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.

Translation from the German language

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 statutory pension insurance scheme came to EUR 6,450k in fiscal year 2022 (prior year: EUR 5,927k). The additional expenses totaling EUR 1,204k (prior year: EUR 1,015k) recognized in the consolidated income statement represent the Group's contributions owed to these pensions plans in accordance with the contribution rates regulated therein.

The Group maintains defined contribution pension plans for eligible employees of its subsidiaries.

Defined benefit plans

In addition to the defined contribution commitments there are defined benefit plans within the Group. The entitlements under the defined benefit plans as of the reporting date relate to around 1,377 (prior year: 1,353) beneficiaries, including 764 (prior year: 744) active employees, 266 (prior year: 253) former employees with vested benefits and 347 (prior year: 356) 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 Helaba Pension Trust e.V., Frankfurt am Main. 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.

Translation from the German language

A large portion of the plan assets are invested in these CTAs. 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.

Translation from the German language

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

Actuarial assumptions	2022	2021
Interest rate	3.70%	1.10%
Expected salary increase in percent	2.50%	2.50%
Pension increase	1.75%	1.75%

The interest rate is determined by reference to market yields on high-quality corporate bonds. The sharp increase in the interest rate reflects the recent rate increase on the capital markets.

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	2022	2021
Service costs	4,446	3,426
Net interest expense	1,067	749
Contributions to defined benefit plans in the income statement	**5,513**	**4,175**
Remeasurement of net liability under a defined benefit plan		
Income (-) and losses (+) from plan assets	1,510	-1,047
Actuarial gains (-) and losses (+) from changes in financial assumptions	-49,414	-11,546
Actuarial gains (-) and losses (+) from experience adjustments	-3,498	1,033
Components of amounts for defined benefit plans recognized in other comprehensive income	**-51,402**	**-11,560**
Total	**-45,889**	**-7,385**

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 2022	31 Dec 2021
Present value of covered defined benefit obligations	81,739	131,175
Fair value of plan assets	-32,620	-32,920
Net defined benefit obligation	**49,119**	**98,255**

Translation from the German language

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

Development of defined benefit obligation **Figures in EUR k**	**2022**	**2021**
Opening balance of defined benefit obligation	**131,175**	**139,379**
Service costs	4,446	3,426
Interest expenses	1,429	968
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	-49,414	-11,546
Actuarial gains and losses from experience adjustments	-3,498	1,033
Benefits paid	-2,399	-2,042
Other payments	0	-43
Closing balance of defined benefit obligation	**81,739**	**131,175**

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 0.5%, the defined benefit obligation would decline by EUR 6,193k (prior year: EUR 11,753k) (rise by EUR 7,030k (prior year: EUR 15,901k)).

- If the expected salary increase were 0.5% higher (lower), the defined benefit obligation would increase by EUR 179k (prior year: EUR 471k) (decline by EUR 171k (prior year: EUR 450k)).

- If the expected pension increase were 0.5% higher (lower), the defined benefit obligation would increase by EUR 384k (prior year: EUR 1,227k) (decline by EUR 366k (prior year: EUR 1,268k)).

- If life expectancy were to fall (rise) by one year, the defined benefit obligation would decline by EUR 1,330k (prior year: EUR 3,877k) (rise by EUR 1,493k (prior year: EUR 4,360k)).

The above sensitivity analysis as of 31 December 2022 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.

Translation from the German language

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

Development of plan assets Figures in EUR k	2022	2021
Opening balance of plan assets measured at fair value	**32,920**	**29,658**
Interest income	362	219
Gains (+) and losses (-) from remeasurement:		
Income/expense from plan assets	-1,510	1,047
Contributions by employer (+)/refunds to employer (-)	1,098	1,996
Benefits paid	0	0
Change in excess of plan assets over pension provisions	-250	0
Closing balance of plan assets measured at fair value	**32,620**	**32,920**

The actual income (+)/expense (-) from the plan assets amounted to -EUR 1,148k (prior year: EUR 1,266k).

The main investment classes of the plan assets as of 31 December 2022 are presented in the following table:

Main investment classes of plan assets Figures in EUR k	31 Dec 2022	31 Dec 2021
Debt instruments	18,311	20,016
Real estate and infrastructure funds	8,318	7,022
Equity instruments	5,537	5,304
Cash and cash equivalents	430	549
Employer’s pension liability insurance	24	29
Total	**32,620**	**32,920**

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% each of the fund’s assets may be invested in real estate funds and infrastructure investments.

Translation from the German language

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 2022 is 17 years (prior year: 21 years).

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

Expected payments for pensions and similar obligations **Figures in EUR k**	**31 Dec 2022**	**31 Dec 2021**
Less than 1 year	2,594	2,478
Between 1 and 5 years	11,852	12,441
Between 5 and 10 years	20,066	20,096
Total	**34,512**	**35,015**

In the coming fiscal year, the Group expects to make a contribution amounting to EUR 1,142k (prior year: EUR 1,128k) to the defined benefit plan.

6.8 Other tax provisions and other provisions

Other tax provisions mainly relate to electricity tax risks. In a letter from the General Directorate of Customs dated 4 March 2021 entitled "Information on tax-privileged use of electricity for power generation in accordance with Sec. 9 (1) No. 2 StromStG ["Stromsteuergesetz": German Electricity Tax Act]" the tax authorities significantly restricted the option of tax benefits for electricity used for power generation in thermal waste recovery plants. According to the General Directorate of Customs, this restriction is solely a clarification, such that the letter applies retroactively from 2018 onwards. In the view of EEW and the thermal waste recovery plant associations, this letter does not reflect applicable legal situation. As a result, EEW is challenging the notices issued on the basis of the abovementioned letter for the years from 2018 onwards. To clarify the legal issues, an action was filed by EEW Energy from Waste Hannover GmbH, among others. Provisions were recognized at the relevant power generation entities of the EEW Group in order to cover the additional risks resulting from the current decree. The provision was revalued in 2022 based on past experience of electricity tax audits.

Translation from the German language

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

Figures in EUR k	As of 1 Jan 2022	Imputed interest	Allocation	Utilization	Reversal	As of 31 Dec 2022
Other personnel-related obligations	2,621	-359	550	-470	-357	**1,985**
Site restoration, demolition obligations, etc.	23,732	41	133	-1,018	-11,900	**10,988**
Potential losses from pending transactions	9,147	-50	2,632	-2,300	0	**9,429**
Processing obligations	3,779	0	6,817	-5,350	0	**5,246**
Obligations arising from litigation, liability, etc.	497	0	45	-200	0	**342**
Obligation to transfer profits	0	0	1,746	0	0	**1,746**
Other obligations	10,183	-116	5,226	-3,534	-1,039	**10,720**
Total	**49,959**	**-484**	**17,149**	**-12,872**	**-13,296**	**40,456**

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 are calculated using a discount rate of 0.0% (prior year: 0.0%) and an expected annual increase in income of 2.5% (prior year: 2.5%).

Provisions for phased retirement take account of obligations under phased retirement agreements. They are recognized at present value using a discount rate of 3.2% (prior year: 0.1%) and an expected annual increase in income of 2.5% (prior year: 2.5%).

Long-service award obligations are calculated using a vested benefit trend of 2.5% (prior year: 2.5%) and a discount rate of 3.2% (prior year: 0.8%).

The obligations for site restoration and demolition primarily include obligations caused by the retirement of facilities. The major item is the obligation to retire a facility in 2052. This obligation has been recognized on the basis of a new expert opinion, with the expected cost increases taken into account in the measurement. The present value of the obligation was determined applying a risk-free interest rate of 2.53% (prior year: 0.19%). The resulting amount of the reversal from the provision was recognized as a reduction of the carrying amounts of the related assets.

The provision for processing obligations is recognized for 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.

Translation from the German language

Potential losses from pending transactions are due to obligations to take delivery of fiber residues, among others.

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.

The obligation to transfer profits arose from the legal requirement to transfer profits from electricity generation plants in order to help finance the enacted electricity price brake. Operators of electricity generation plants are required to transfer 90% of their windfall profits to their respective grid operators. Initially, the windfall profits for the electricity volumes that the government assumes the plant operators will feed into the grid in the period from 1 December 2022 to 30 June 2023 will be skimmed. The German federal government can extend this period until 30 April 2024 by issuing a statutory ordinance.

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

31 Dec 2022		
Figures in EUR k	**Current**	**Non-current**
Other personnel-related obligations	86	1,899
Site restoration, demolition obligations, etc.	87	10,901
Potential losses from pending transactions	1,500	7,929
Processing obligations	5,246	0
Obligations arising from litigation, liability, etc.	342	0
Obligation to transfer profits	1,746	0
Other obligations	10,435	285
Total	**19,442**	**21,014**

Translation from the German language

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 2022	31 Dec 2021
Bonds	**399,350**	**398,963**
Cash flows with a residual term of		
Up to 1 year	1,776	1,779
1 to 2 years	1,051	1,054
2 to 3 years	1,052	1,051
3 to 4 years	401,248	1,052
4 to 5 years	0	401,248
More than 5 years	0	0
Total expected cash flows	**405,127**	**406,184**
Liabilities to banks	**20,121**	**91,353**
Cash flows with a residual term of		
Up to 1 year	473	72,559
1 to 2 years	18,337	334
2 to 3 years	45	18,337
3 to 4 years	45	45
4 to 5 years	2,045	45
More than 5 years	0	2,045
Total expected cash flows	**20,945**	**93,365**
Other financial liabilities	**28,748**	**314**
Cash flows with a residual term of		
Up to 1 year	455	0
1 to 5 years	21,465	0
More than 5 years	8,652	314
Total expected cash flows	**30,572**	**314**

Liquidity needs are satisfied by credit lines from banks totaling EUR 225,000k. Of this amount, EUR 52,208k had been used for the provision of bank guarantees as of 31 December 2022. These lines are also available among other things for short-term capital needs and the provision of collateral. In the fiscal year, a revolving credit facility in the amount of EUR 100,000k was arranged.

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 variable portion of the promissory note loan of EUR 316,000k was repaid at the interest payment date in August 2021. In August 2022, the fixed tranche of EUR 71,000k was repaid as scheduled. The remaining fixed tranches bear interest at fixed rates ranging between 1.657% and 2.269%.

The promissory note loan is not collateralized. No financial covenants under existing loan agreements were agreed.

Translation from the German language

In June 2021, a green bond of EUR 400,000k was issued with a term of five years in order to repay the variable tranches of the promissory note loan. The green bond has a interest rate of 0.361%. It is unsecured and no financial covenants were agreed.

The increase in other financial liabilities is due to a loan of EUR 28,400k taken out from a subsidiary in the fiscal year for the purpose of financing expansion investments. The loan bears interest at a rate of 1.6% and is repayable in equal quarterly installments from 30 June 2024.

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.

Translation from the German language

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:

Translation from the German language

31 Dec 2022 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	19,443	10,003	0	29,446	29,446
Trade receivables and contract assets	0	119,284	0	119,284	119,284
Finance lease receivables	0	0	62,376	62,376	60,942
Other financial receivables	0	5,638	0	5,638	5,638
Cash and cash equivalents	0	53,876	0	53,876	53,876
Total	**19,443**	**188,801**	**62,376**	**270,620**	**269,186**

31 Dec 2021 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	46,632	10,002	0	56,634	56,634
Trade receivables and contract assets	0	107,642	0	107,642	107,642
Finance lease receivables	0	0	73,005	73,005	75,279
Other financial receivables	0	101,150	0	101,150	101,150
Cash and cash equivalents	0	93,808	0	93,808	93,808
Total	**46,632**	**312,602**	**73,005**	**432,239**	**434,513**

Translation from the German language

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

31 Dec 2022 Figures in EUR k	At amortized cost	Total
Item of the statement of financial position	**Carrying amount**	**Fair value**
Bonds	399,350	353,973
Liabilities to banks	20,121	18,619
Other financial liabilities	28,748	25,956
Trade payables	92,308	92,308
Total	**540,527**	**490,856**

31 Dec 2021 Figures in EUR k	At amortized cost	Total
Item of the statement of financial position	**Carrying amount**	**Fair value**
Bonds	398,963	397,995
Liabilities to banks	91,353	93,888
Other financial liabilities	314	314
Trade payables	75,173	75,173
Total	**565,803**	**567,370**

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 forecast (Level 3). The underlying discount rate is derived from a risk-free market interest rate, adjusted by a suitable credit risk premium.

A discount rate of 5.41% was applied (prior year: 3.70%). 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 amounted to 0.0% (prior year: 0.0% and 1.0%). The decline in the fair value determined is primarily attributable to the increased discount rate.

Translation from the German language

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 bonds is determined using quoted market prices (Level 1).

The fair value of 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 equals the fair value for trade payables and other financial liabilities, as the interest rates either reflect current market values or the instruments have short maturities.

Other liabilities comprise liabilities from cash pool arrangements with non-consolidated subsidiaries.

Translation from the German language

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 2022 Figures in EUR k	Interest	Impairments/ reversals	Investment income	Net result
Financial assets at fair value through OCI	0	0	1,007	1,007
Loans and receivables measured at amortized cost	598	-2,266	0	-1,668
Liabilities measured at amortized cost	-2,835	0	0	-2,835
Total	**-2,237**	**-2,266**	**1,007**	**-3,496**

31 Dec 2021 Figures in EUR k	Interest	Impairments/ reversals	Investment income	Net result
Financial assets at fair value through OCI	0	0	1,230	1,230
Loans and receivables measured at amortized cost	605	-2,439	0	-1,834
Liabilities measured at amortized cost	-4,416	0	0	-4,416
Total	**-3,811**	**-2,439**	**1,230**	**-5,020**

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.

Translation from the German language

A change of 0.5 percentage points in the level of interest rates as of the reporting date would not have resulted in an improvement or deterioration in net interest income, since the variable tranches of the promissory note loan were repaid in 2021.

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	2022	2021
Short-term lease expense	2,215	1,477
Expense relating to leases of low-value assets	1,354	1,337
Expense for variable lease payments	0	0
Interest expenses on lease liabilities	320	366
Repayments of lease liabilities	2,399	2,565
Cash outflows for leases	**6,288**	**5,745**

The future undiscounted cash flows of the lease liabilities of EUR 9,113k in place as of 31 December 2022 (prior year: EUR 10,197k) are as follows:

	Minimum lease payments	
Figures in EUR k	**31 Dec 2022**	**31 Dec 2021**
Up to 1 year	2,444	2,393
1 to 5 years	3,651	4,675
More than 5 years	5,454	5,760
Total	**11,549**	**12,828**

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 62,376k (prior year: EUR 73,005k), of which EUR 11,659k (prior year: EUR 10,629k) are current. The recognition of impairment losses on lease receivables was not necessary in 2022 or 2021.

Interest income from lease receivables was generated in the amount of EUR 5,278k (prior year: EUR 6,238k).

Translation from the German language

The lease receivables have the following maturity structure:

	Undiscounted lease payments	
Figures in EUR k	**31 Dec 2022**	**31 Dec 2021**
Up to 1 year	15,908	15,908
1 to 2 years	10,605	15,907
2 to 3 years	0	10,605
Unguaranteed residual values	42,605	42,605
Total	**69,118**	**85,025**
Unearned finance income	-6,742	-12,020
Present value	**62,376**	**73,005**

6.12 Capital management

The Group's objective is to strengthen its equity base by making use of attractive capital market conditions. In this context, EEW was able to place a green bond in fiscal year 2021 (note 6.9). 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.

Translation from the German language

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 as well as intangible assets and financial assets. An amount of EUR 208,257k was invested in property, plant and equipment as well as in intangible assets.

The cash outflows from financing activities are shaped by the cash paid for the repayment of a tranche of the promissory note loan (EUR 71,000k) and the cash received from raising a loan for the purpose of financing a plant expansion. In addition, dividends of EUR 52,344k were distributed to the shareholders of EEW Holding. Dividends of EUR 79,600k were declared for fiscal year 2021. EUR 27,256k from loan receivables of EEW Energy from Waste GmbH vis-à-vis Good Champion Investments Limited and Beijing Enterprises Holdings European Investment Management S.à r.l. was assigned to EEW Holding GmbH, transferred to BEHEIM and set off against the obligation from the payment of the dividend for fiscal year 2021. In addition, dividends of EUR 18,129k were distributed to non-controlling interests.

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

Financial liabilities **Figures in EUR k**	**As of 1 Jan 2022**	**Cash change**	**Non-cash change**	**As of 31 Dec 2022**
Non-current bonds	398,628	0	0	398,628
Non-current liabilities to banks	19,982	0	0	19,982
Other non-current financial liabilities	314	28,420	14	28,748
Non-current financial liabilities	**418,924**	**28,420**	**14**	**447,358**
Current bonds	335	-722	1,109	722
Current liabilities to banks	71,371	-71,000	-232	139
Other current financial liabilities	0	0	0	0
Current financial liabilities	**71,706**	**-71,722**	**877**	**861**
Lease liabilities	**10,197**	**-2,719**	**1,635**	**9,113**
thereof cash flows from operating activities		-320		
thereof cash flows from financing activities		-2,399		
Total	**500,827**	**-46,021**	**2,526**	**457,332**

Translation from the German language

Financial liabilities Figures in EUR k	As of 1 Jan 2021	Cash change	Non-cash change	As of 31 Dec 2021
Non-current bonds	0	398,628	0	398,628
Non-current liabilities to banks	406,740	-317,705	-69,053	19,982
Other non-current financial liabilities	301	13	0	314
Non-current financial liabilities	**407,041**	**80,936**	**-69,053**	**418,924**
Current bonds	0	0	335	335
Current liabilities to banks	1,286	0	70,085	71,371
Other current financial liabilities	0	0	0	0
Current financial liabilities	**1,286**	**0**	**70,420**	**71,706**
Lease liabilities	**11,493**	**-2,931**	**1,635**	**10,197**
thereof cash flows from operating activities		-366		
thereof cash flows from financing activities		-2,565		
Total	**419,820**	**78,005**	**3,002**	**500,827**

Translation from the German language

8. Contingent liabilities and other financial obligations

Figures in EUR k	31 Dec 2022	31 Dec 2021
Obligations under rental and lease agreements	1,625	2,925
Other financial obligations	548,605	492,423
Total	**550,230**	**495,348**

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

In addition, a subsidiary has a contingent liability of EUR 1,684k resulting from the skimming of windfall profits attributable to the minority shareholder under the StromPBG [“Strompreisbremsengesetz”: German Electricity Price Brake Act].

A strict obligation for the company to make additional contributions to CTA II applies in relation to Helaba Pension Trust e.V., Frankfurt am Main. 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.

Translation from the German language

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 2022, 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.

2022 Figures in EUR k	Goods delivered and services provided, interest income and dividends	Goods and services received and interest expenses	Receivables	Liabilities
BEHL Group	1,485	0	2,793	0
Non-consolidated subsidiaries	14,252	22	1,605	328
Joint ventures and associates	26,089	27,457	3,246	0

2021 Figures in EUR k	Goods delivered and services provided, interest income and dividends	Goods and services received and interest expenses	Receivables	Liabilities
BEHL Group	486	0	99,564	0
Non-consolidated subsidiaries	14,604	19	301	314
Joint ventures and associates	27,201	27,976	5,386	0

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

Furthermore, a resolution was adopted in 2022 to distribute a dividend for fiscal year 2021 to the shareholder of EEW Holding in the amount of EUR 79,600k. Please refer to note 7 of the notes to the financial statements.

Translation from the German language

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 2,365k in the reporting year (prior year: EUR 2,452k). It consists solely of short-term benefits.

Pension provisions of EUR 5,006k (prior year: EUR 7,015k) were recognized for entitlements of former general managers.

The members of the supervisory board received total remuneration of EUR 121k in fiscal year 2022 (prior year: EUR 127k). No transactions which must be reported have been concluded with members of the management board or persons related to them.

Translation from the German language

10. Auditor’s fees

The other operating expenses item includes the fees of the statutory auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, amounting to EUR 770k (prior year: EUR 660k). EUR 611k (prior year: EUR 558k) of these expenses relate to audit services, EUR 54k (prior year: EUR 74k) to audit-related services and EUR 105k (prior year: EUR 28k) to other services.

11. Events after the reporting period

There were no events after 31 December 2022 that would be reportable in accordance with IAS 10 *Events after the Reporting Period*.

Translation from the German language

12. Management board

The general managers of EEW Holding are:

Bernard Kemper (Chairman)

Markus Hauck

Dr. Joachim Manns

Helmstedt, 24 March 2023

EEW Holding GmbH

The Management Board

Kemper Hauck Manns

GROUP MANAGEMENT REPORT 2022

Translation from the German language

EEW Holding GmbH

Helmstedt

Translation from the German language

Table of contents

1. Background of the Group 1
2. Economic report..3
3. Outlook, opportunities and risks 15

Translation from the German language

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 4.6 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 leads the market in Germany with a share of approximately 16.4%. As in the prior year, it has a market share of 100% in Luxembourg and 7% in the Netherlands.

In 2022, the EEW Group sold 1.7 TWh of electricity and about 3.2 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 2022, 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, PreZero, EnBW and RWE). In 2022, the total gross processing capacity of all waste incineration plants in Germany of around 26.7 million mt p.a. (internal EEW research) was matched by a decline in waste quantities for the first time in many years, which was attributable to the unprecedented political and economic situation as a result of the coronavirus pandemic, the Russia-Ukraine war and the associated energy crisis.

Translation from the German language

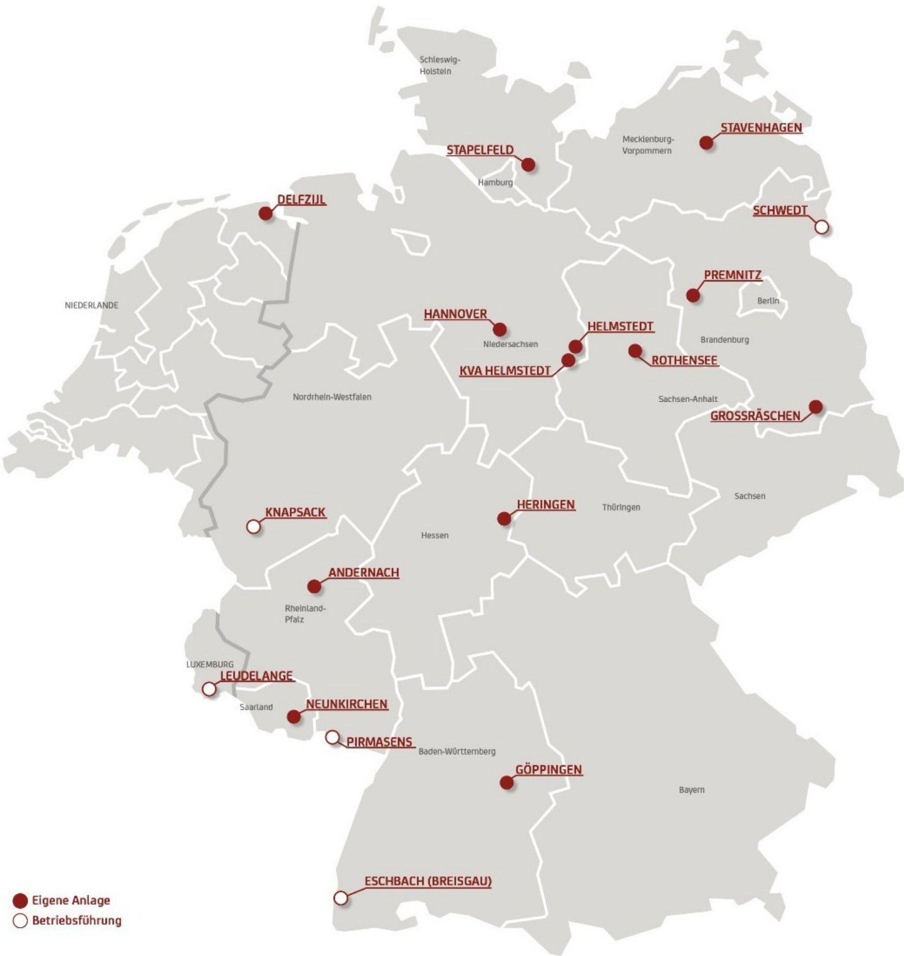

Figure 1: Overview of the plants operated by EEW in Germany, the Netherlands and Luxembourg

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.

Translation from the German language

2. Economic report

2.1 Overall economic and industry-specific background

Market situation in 2022

Economic development in Germany in the past year was remarkably robust, despite the energy crisis and supply chain problems. According to the preliminary results of the German Federal Statistical Office, inflation-adjusted GDP increased by 1.9% in 2022 compared to the prior year. This means that the German economy grew despite the war in Ukraine, supply chain disruptions and the energy price crisis. The comparatively positive development was mainly due to catch-up effects in private consumption and production after the coronavirus-induced slump as well as the easing of supply shortages in the course of the year. However, the price hikes that are increasingly being passed on to consumers and the related reduction in purchasing power are likely to weaken the outlook for private consumption. Although the industrial sector has on average coped with the higher energy prices relatively well to date, the effects of the crisis are especially apparent in the energy-intensive areas. Thus production in the particularly hard hit chemical industry in November was approximately 20% lower than the average level in 2021. Additionally, the uncertain economic prospects and rising interest rates led to many investment projects being postponed. The construction sector in particular was weak in the final quarter, as financing became more costly. However, the situation in the industrial sector improved later in the year. Industrial production stabilized again in November after a weak start to the fourth quarter. The consumer price hikes slowed in December, with the inflation rate expected to have dropped by 1.4% to 8.6%. According to the German federal government, the state's assumption of gas and heating costs for consumers for the month of December played a key role in this trend. The prices for energy sources decreased significantly compared to the prior month. The employment market proved robust at the end of 2022. A record high was reached in 2022 with 845,000 job vacancies, demonstrating that the labor shortage is increasingly posing a threat to growth in the German economy. This affects the service sector in particular.

The ifo Business Climate Index improved further in December, partly because material shortages are expected to ease further in 2023. Likewise, the federal government's enactment of the gas and electricity price brake contributed to improving both business and consumer sentiment. The federal government has increased its forecast for 2023 and now expects economic growth of 0.2%.

The market situation in the thermal waste recovery industry was characterized by stable waste quantities coupled with good utilization of incineration capacities in Germany and the Netherlands in the first half of 2022, while waste quantities declined in the second half. EEW had some plant locations running at partial capacity or shut down some lines, as the technically available capacities could not be utilized fully. Following the merit-order process, EEW implemented waste flow management through the EEW Group's plants in the second half of 2022 such that the supply of all district heating customers was prioritized and industrial customers were also mostly supplied and the capacity adjustments (operation at partial capacity or temporary shutdown of plants) were mainly made at the expense of electricity grid feed-in. Therefore, EEW was also able to meet its responsibility to society as a whole.

Company development

EEW intends to expand its role as a leader in resource conservation and sustainable energy generation for industry and households in Europe and enhance the circular economy. By using sustainable and state-of-the-art techniques and exploiting the opportunities of digitalization, EEW is already 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

Translation from the German language

hazardous substances. This conserves primary energy resources and recovers valuable raw materials. EEW wants to further increase its current contribution to the energy transition and has thus declared sustainability and the reduction of carbon emissions a central pillar of its business strategy.

The EEW Group's business strategy is built on several pillars. In line with its sustainability goal, EEW aims to achieve horizontal and vertical growth in thermal waste recovery in Germany and abroad as well as growth in adjacent segments. This includes project activities in thermal waste recovery, thermal sewage sludge recovery operations and the development of products along the value chain of thermal waste recovery. EEW therefore focuses on carbon capture and utilization/carbon capture and storage (CCU/CCS) technologies that allow carbon dioxide to be used as a raw material for further applications and is investigating technological options for sorting plastics prior to the incineration process in order to reduce the fossil carbon content. Additionally, EEW has launched research projects with the objective of improving the circular economy, for example, the use of technology like pyrolysis to treat problematic waste or projects to recycle residues from the waste incineration process.

Digitalization also plays a key role in the continuous optimization of the plant technology used, new applications and improvement of operating processes as well as in increasing the company's flexibility and responsiveness.

In the area of thermal waste recovery, two new construction projects are currently underway to secure the future of the locations in the long term, boost energy efficiency and availability as well as meet the highest environmental standards. At the EEW location in Stapelfeld, construction continued on the new waste incineration plant. This completely new plant featuring higher energy efficiency is expected to commence regular operations in the first quarter of 2025 and will replace the existing plant. A fifth line is being built at the Rothensee location. According to the current plan, it will commence regular operations in the fourth quarter of 2024. Both investment projects ensure reliable regional waste disposal and also provide heating, steam and electricity supply in the respective regions.

In the sewage sludge recovery segment, the sewage sludge mono-incineration plant at Helmstedt was completed and commenced commercial operations in fiscal year 2022. Moreover, construction of additional sewage sludge recovery plants continued in reporting year 2022. Approval under immission control law for the construction and operation of the plant in Stavenhagen was granted in September 2021. Construction is expected to be completed by the end of 2023 and the plant is scheduled to commence regular operations at the beginning of the first quarter of 2024. In order to leverage synergies, a sewage sludge mono-incineration plant is under construction at the Stapelfeld location in addition to the new facility being built to replace the existing thermal waste recovery plant. Regular operations are expected to commence at the beginning of 2027. Construction for the capacity expansion of the Rothensee energy from waste plant involving the addition of another waste recovery line and a sewage sludge treatment plant began in October 2021. The foundation stone was laid in June 2022. According to the project plan, the facilities are expected to commence regular operations in the third quarter of 2024. Construction on EEW's first thermal sewage sludge mono-incineration plant in the Netherlands began in the second quarter of 2022. According to the project plan, regular operations will commence at the end of the fourth quarter of 2024.

Moreover, EEW intends to drive forward the development of innovations in the area of thermal waste recovery. EEW's aim is to develop forward-looking solutions to not only think sustainability in the short term but guarantee it in the long term. "Handling climate change," "Strengthening closed-loop operations" and "Innovating for the future" are the key topics of EEW's sustainability strategy, under which product innovations should consider environmental aspects as well as economic benefits. In the next few years, carbon emissions will be reduced drastically, resources conserved, loops closed and processes made more efficient. This includes expanding the product and service portfolio in the waste

Translation from the German language

segment and obtaining additional valuable materials from incineration residues and returning them to the cycle.

The EASY and OKAY projects were continued as part of the digitalization process in the reporting year. EASY is a project for the implementation of SAP S4/HANA software and OKAY is focused on more efficient handling of data. In the course of the year, they were combined with the maintenance project HEIDI, the third key digitalization project that is aimed at restructuring the maintenance and inspection processes. These three projects (H-E-O) are currently the most important transformation projects for EEW and were the focus of digitalization activities in 2022. The IT projects successfully launched and implemented in 2022 include digital travel expense reporting, a scanner solution to simplify warehousing, virtual plant tours and SAP SuccessFactors – Talent Management. Additionally, EEW initiated an open innovation process with the objective of making active and strategic use of the outside world to leverage innovation potential by collaborating with start-ups, universities and young professionals to identify further digital solutions.

After its establishment in 2021, NEEW Ventures GmbH began to develop and implement digital business models throughout the EEW core business and adjacent areas in the fiscal year. NEEW Ventures combines the expertise and industry knowledge of employees, customers and other EEW stakeholders with the know-how of innovative digital experts. Five projects are currently in focus, including WASTEER, which is developing a digital Software-as-a-Service (SaaS) platform to centralize all waste information in order to optimize calorific values, planning and plant operations. WASTEER was carved out as an independent company at the beginning of 2023. The first WASTEER product, “Abfall Pass,” is expected to be launched in 2023. Additionally, a planning tool and a support module for merit-order/energy-driven production is in the design phase.

Translation from the German language

2.2 Business performance

In addition to the ongoing coronavirus pandemic and the resulting economic downturn, fiscal year 2022 was mainly shaped by the Russian war against Ukraine that began in February and the effects of an energy crisis, with high energy prices and the risk of a gas shortage, as well as the federal government's efforts to end dependency on Russian gas supplies. The political situation led to a strained economic situation reflected in declining industrial production due to high inflation and ongoing supply shortages. Additionally, rising capital market interest rates led to decreasing propensity to invest and consume. The first vaccines to curb the coronavirus pandemic were available in Germany from December 2020. By the end of the fourth quarter of 2021, around 89.9% of the EEW Group's workforce had been vaccinated. This high rate of immunization was a significant factor in our ability to maintain plant operations throughout 2022, despite the significantly more infectious Omicron variant, as well as the low impact of coronavirus-related restrictions on ongoing construction projects. Throughout the year, comprehensive measures were implemented to ensure the occupational health and safety of employees and keep the plants operational. Our response was coordinated by the central crisis team of EEW established in March 2020, supported by 18 local crisis management teams. Ensuring occupational health and safety included and still includes providing protective equipment and sanitary/hygiene products, issuing instructions in 14 languages for consistent compliance with all health and safety provisions for internal and external staff, updating the pandemic plan continuously in coordination with local health authorities and testing external and internal staff regularly. Depending on the course of the pandemic, 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, uncoupling/separating shifts/teams at the locations and the headquarters in periods of high infection rates to reduce the risk of infection and securing supply logistics of suppliers and service providers. A key element is regular coronavirus testing and the strict implementation of the 3G rule (vaccinated, recovered or tested) for entry to plants. The waste flow management system of the EEW Group 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 fiscal year 2022 without significant problems.

Overall, the waste market was characterized by the energy crisis and a tense market situation in 2022. The effects were felt in the form of declining waste volumes in the course of the year and a drop in municipal and commercial waste prices. While industry experts estimated a slight decrease of around 5% in municipal waste quantities at national level, commercial waste declined by between 10% and 15%. Furthermore, all market participants withheld additional waste volumes from the market for the purpose of increased storage and baling of waste for winter stocks and to guarantee energy generation. Due to lower waste quantities, many incineration facilities had to be operated at partial capacity, including facilities in the EEW Group. Additionally, operating costs were higher and it was difficult to procure operating resources. Alternative fuels such as waste wood and paper were used to some extent as additional quantities for thermal waste recovery. For its part, EEW also filled its winter stores in order to secure the district heating supply for private households in the winter months. Due to overall economic developments, the quantity of waste accepted in the EEW Group fell by approximately 4% on the prior year. However, the development of prices on the waste market in 2022 varied by region as in the prior years. Commercial and municipal customers reported lower market price levels compared to the prior year. In order to secure the supply for EEW's plants, waste reception agreements with foreign customers, primarily in the UK, Poland, Italy and France, were honored in 2022, too.

Translation from the German language

As far as energy is concerned, process steam, heat and electricity underwent similar developments in 2022. The (day-ahead) wholesale price for electricity started to increase in September 2021. This trend continued going into 2022 and grew stronger in the wake of the war in Ukraine, as prices for gas and coal also rose sharply. In addition to fluctuations in European electricity production, electricity price trends were very volatile and correlated closely with the gas price trend. In turn, these were highly dependent on the course of the Russia-Ukraine war and Russia's respective response with regard to gas supplies to Germany and Europe.

Forward prices for electricity reached a historic high at the end of August 2022, primarily influenced by the development of the price of gas, the key price driver that also reached historic highs at the same time.

Electricity prices on the spot markets at the beginning of 2022 were also significantly above the prior-year level. The price spread between 2021 and 2022 increased month by month. Spot electricity prices also reached a historic high at the end of August and only started resembling the prior-year trend in the fourth quarter. The spot markets continue to depend on the weather and are volatile. Feed-ins from renewable energies and conventional European power plants, temperature-related fluctuations and the electricity consumption behavior of consumers are strong indicators here.

Prices for emission certificates in EU emissions trading continued their upward trend across the turn of the year, saw a sharp dip at the beginning of March, then once again rose in line with other commodities, reaching their high in August, and recovered by the end of the year. The European Union significantly reduced the total quantity of certificates allocated free of charge in EU emissions trading. Certificate costs rose due to higher demand, increasing the incentive to reduce carbon emissions. The average price in the reporting year was around EUR 80, compared to approximately EUR 52 in the prior year.

The district heating segment was shaped by high demand due to weather conditions. This was partly driven by the very high gas prices in 2022, as gas prices are included in the index used for district heating and steam price calculations. Process steam was subject to demand-related fluctuations, but exceeded expectations in terms of revenue and volume.

In 2022, EEW's procurement market for raw materials, consumables and supplies recorded historic hikes in prices and extraordinary limitations on availability in all areas. The BEHG ["Brennstoffemissionshandelsgesetz": German Fuel Emissions Trading Act], which became effective at the beginning of 2021, led to significantly higher costs for the procurement of natural gas, heating oil and diesel and therefore to higher transportation and logistics costs. The sharp price increases in the energy sector continued in 2022, especially after the outbreak of war in Ukraine, and were exacerbated by the production losses at French nuclear power plants. The availability of feedstock and supplies is highly dependent on the availability of fuels required for the production process (coal, gas, oil) due to its energy-intensive nature. Given the unclear supply situation with respect to natural gas especially, supply security became the focus in 2022. In addition to the developments in the energy segment, availability was negatively affected by various other market trends. High energy costs as well as the nascent recession and resulting decline in demand in some sectors curtailed production volumes. Moreover, unplanned downtime at various producers as well as supply chain problems (low water levels, shortage of drivers, supplies from Russia and Ukraine, coronavirus) had a negative effect on availability. In particular, the chemicals ammoniac, caustic soda and hydrochloric acid were subject to extreme limitations on availability and therefore price surges. Due to the decline in demand for the main products, the availability of the by-products caustic soda and hydrochloric acid deteriorated further. While the availability and costs of calcium carbonate and sodium bicarbonate was improved by variable production processes at suppliers, prices in these areas also reached historic highs due to

Translation from the German language

the price increases affecting all fuels. Only in the container and see freight segments did the situation ease in the course of the third quarter of 2022, though this was not reflected in prices because it was offset by other effects.

Thanks to the conclusion of fixed supply contracts, the supply of raw materials, consumables and supplies in 2022 was generally secured. Due to the availability situation, additional extensive procurement activities were key to maintaining the supply, for example, reviewing procurement options in other markets (primarily Scandinavia, Spain, UK) in connection with establishment of central warehousing options for the EEW Group. In all other cases, only index-based agreements were concluded due to the market situation, which means that the market developments and thus also potentially negative developments have an immediate effect on procurement costs.

In the residual waste disposal segment, the situation for metal recovery from slag was very tense due to the decrease in industrial production. Slag collectors were not able to sell their metals as usual and instead had to put some quantities in storage. As a result, they did not make a significant contribution to reducing disposal costs for the EEW Group. Furthermore, the Group began to secure redundancies in the backfilling market in order to be able to provide greater disposal security for locations that currently only have one disposal partner. A research project was also launched in collaboration with TU Freiberg to develop alternative uses for filter dust and the RENABI activities for conversion of residual waste into raw materials were stepped up.

To date, the war in Ukraine and the coronavirus pandemic have not had a material impact on EEW's business activities and thus its assets, liabilities, financial position and financial performance. In this difficult economic environment, consolidated revenue increased due to higher energy and other revenue, while waste revenue fell short of the prior-year level due to quantities and prices. The increase in consolidated revenue offset higher operating costs, higher personnel expenses and depreciation and led to a slight increase in earnings before taxes compared to the prior year.

Translation from the German language

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 2022 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 2022 in comparison to the prior year.

Figures in EUR k	2022	2021
Revenue	**715,516**	**659,042**
Own work capitalized	**3,671**	**1,847**
Other operating income	**24,398**	**23,419**
Cost of materials	**305,072**	**272,648**
Personnel expenses	**118,265**	**105,346**
Amortization, depreciation and impairment	**94,623**	**86,725**
Other operating expenses	**79,060**	**73,163**
EBIT	**146,565**	**146,426**
Financial result	**3,133**	**2,489**
Earnings before taxes	**149,698**	**148,915**
Income taxes	**-45,034**	**-43,868**
Consolidated profit for the period	**104,664**	**105,047**
– thereof non-controlling interests	13,910	15,796
– thereof shareholders of EEW Holding GmbH	90,754	89,251

Translation from the German language

Income statement for the period from 1 January to 31 December 2022

Revenue (EUR 715,516k; prior year: EUR 659,042k) 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 2022, revenue from the recovery and disposal of waste and the sale of the energy generated from it amounted to EUR 582,028k (prior year: EUR 528,278k) and from the operational management of individual plants amounted to EUR 80,975k (prior year: EUR 84,196k). The prior year's revenue forecast was surpassed despite lower waste revenue because energy revenue was significantly higher.

The increase in other operating income (EUR 24,398k; prior year: EUR 23,419k) is mainly the result of income from refunds and compensation for damages as well as the recharging of costs for goods and services, while income from the reversal of provisions saw a year-on-year decrease.

Cost of materials (EUR 305,072k; prior year: EUR 272,648k) includes expenses for maintenance and inspection work, waste flow costs for honoring fuel supply agreements, disposing of residual waste, slag and other waste, energy procurement costs and expenses for other services. The change against the prior year is primarily due to higher costs for energy procurement, supplies and purchased services. Energy procurement costs exceeded the prior-year level primarily due to higher expenses for natural gas and heating oil as well as higher expenses for carbon certificates. Purchased services increased primarily for waste flow and maintenance expenses.

Personnel expenses (EUR 118,265k; prior year: EUR 105,346k) include expenses for old-age pensions (EUR 5,960k; prior year: EUR 4,711k) in addition to current personnel costs. The rise in personnel expenses is attributable to an increase in headcount from 1,273 to 1,357 due to the hiring of commercial and technical specialists for current and future projects as well as pay rises under collective wage agreements.

Other operating expenses (EUR 79,060k; prior year: EUR 73,163k) 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 miscellaneous operating expenses. Other operating expenses increased year on year chiefly due to court and lawyer's fees as well as expenses from the disposal of fixed assets and the skimming of windfall profits on the electricity market. Expenses for insurance claims and miscellaneous other expenses decreased by contrast.

Amortization and depreciation of EUR 94,623k (prior year: EUR 86,725k) include amortization of intangible assets of EUR 11,414k (prior year: EUR 12,664k). The increase in depreciation of property, plant and equipment is mainly due to the latest investments.

The higher financial result of EUR 3,133k (prior year: EUR 2,489k) mainly relates to lower interest expenses. The financial result also includes investment income of EUR 1,007k (prior year: EUR 1,230k).

Tax expenses rose from EUR 1,166k in the prior year to EUR 45,043k. Current taxes of EUR 51,891k (prior year: EUR 48,298k) are offset by deferred tax income of EUR 6,857k (prior year: EUR 4,430k). The increase is mainly attributable to out-of-period taxes of EUR 332k, which contrast with tax income of EUR 1,332k in the prior year due to the tax audit for 2012 to 2015. This more than makes up for the offsetting effects from the differences between entity and group tax rates, among other things. As a result, the tax rate increased from 29% to 30%.

In a letter from the General Directorate of Customs dated 4 March 2021 entitled "Information on tax-privileged use of electricity for power generation in accordance with Sec. 9 (1) No. 2 StromStG ["Stromsteuergesetz": German Electricity Tax Act]" the tax authorities significantly restricted the

Translation from the German language

option of tax benefits for electricity used for power generation in thermal waste recovery plants. According to the General Directorate of Customs, this restriction is solely a clarification, such that the letter applies retroactively from 2018 onwards. In the view of EEW and the thermal waste recovery plant associations, this letter does not reflect applicable legal situation. As a result, EEW is challenging the notices issued on the basis of the abovementioned letter for the years from 2018 onwards. To clarify the legal issues, an action was filed by EEW Energy from Waste Hannover GmbH, among others. Provisions were recognized at the relevant power generation entities of the EEW Group in order to cover the additional risks resulting from the current decree. The provision was revalued in 2022 based on past experience of electricity tax audits.

In the reporting period, EBIT of EUR 146,565k (prior year: EUR 146,426k) was achieved after deducting depreciation and amortization totaling EUR 94,623k (prior year: EUR 86,725k) from EBITDA of EUR 241,188k (prior year: EUR 233,151k). This year-on-year increase in EBIT is largely due to higher revenue and lower amortization, depreciation and impairment. After deducting the financial result and the tax result totaling EUR 41,901k (prior year: EUR 41,379k), consolidated profit comes to EUR 104,664k for the fiscal year (prior year: EUR 105,047k).

Financial position

Since June 2021, the EEW Group's financing structure has been based on the first green bond issued by the EEW Group. In August 2022, the fixed tranche of EUR 71,000k of the promissory note loan was repaid as scheduled.

A resolution was adopted in 2022 to distribute a dividend for fiscal year 2021 to the shareholder of EEW Holding in the amount of EUR 79,600k. A loan receivable amounting to EUR 13,000k of EEW Energy from Waste GmbH vis-à-vis Good Champion Investments Limited was assigned to EEW Holding GmbH, transferred to Beijing Enterprises European Investment Management S.à r.l and set off against the obligation from the payment of the dividend for fiscal year 2021. In addition, loan and interest receivables of EUR 14,256k from Beijing Enterprises European Investment Management S.à r.l. were offset and assigned in the same way.

Credit facilities of EUR 225,000k with banks, of which EUR 52,208k 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. In the fiscal year, a revolving credit facility in the amount of EUR 100,000k was arranged. The revolving credit facility is also available to cover liquidity requirements.

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.

Translation from the German language

A S S E T S **Figures in EUR k**	**31 Dec 2022**	**31 Dec 2021**
Non-current assets		
Intangible assets	**43,278**	**50,239**
Property, plant and equipment	**980,487**	**882,730**
Financial assets	**29,446**	**56,634**
Receivables and other assets	**57,894**	**67,799**
Deferred tax assets	**15,323**	**33,317**
Total non-current assets	**1,126,428**	**1,090,719**
Current assets		
Inventories	**28,526**	**23,728**
Receivables and other assets		
Trade receivables and contract assets	119,284	107,642
Other receivables and other assets	39,136	128,530
Total receivables and other assets	**158,420**	**236,172**
Cash and cash equivalents	**53,876**	**93,808**
Total current assets	**240,822**	**353,708**
Total assets	**1,367,250**	**1,444,427**

Translation from the German language

EQUITY AND LIABILITIES **Figures in EUR k**	**31 Dec 2022**	**31 Dec 2021**
Equity		
Subscribed capital	1,000	1,000
Capital reserves	275,900	275,900
Other revenue reserves/profit or loss carryforward	155,942	138,001
Profit or loss attributable to controlling interests	90,754	89,251
Equity attributable to the shareholders of EEW Holding GmbH	**523,596**	**504,152**
Non-controlling interests	**56,818**	**60,591**
Total equity	**580,414**	**564,743**
Non-current liabilities		
Pension provisions	49,119	98,255
Other provisions	21,014	32,547
Bonds	398,628	398,628
Liabilities to banks	19,982	19,982
Other non-current liabilities	46,551	19,738
Deferred tax liabilities	74,362	83,742
Total non-current liabilities	**609,656**	**652,892**
Current liabilities		
Other tax provisions	2,496	3,018
Other provisions	19,442	17,412
Bonds	722	335
Liabilities to banks	139	71,371
Lease liabilities	2,114	2,076
Trade payables	92,308	75,173
Income tax liabilities	38,027	34,825
Other liabilities	21,932	22,582
Total current liabilities	**177,180**	**226,792**
Total equity and liabilities	**1,367,250**	**1,444,427**

Translation from the German language

Assets and liabilities

Total assets of the EEW Group decreased from EUR 1,444,427k in the prior year to EUR 1,367,250k, mainly due to the decrease in liabilities to banks as a result of a loan repayment and in pension provisions as well as lower current receivables on the assets side.

Cash flows from investing activities came to -EUR 204,989k in the reporting period. In addition to operating investments in existing plants, the EEW Group primarily invested in growth projects such as the new waste incineration facility in Stapelfeld, the fifth line and sewage sludge mono-incineration plant in Rothensee and the sewage sludge mono-incineration plants in Helmstedt, Stavenhagen and Delfzijl in 2022.

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 57,894k; prior year: EUR 67,799k) predominantly consist of receivables under finance leases (EUR 50,717k; prior year: EUR 62,376k).

Current receivables (EUR 158,420k; prior year: EUR 236,172k) primarily consist of trade receivables amounting to EUR 119,284k. Income tax refund claims remained fairly constant, increasing by EUR 818k year on year to EUR 5,213k. The decrease in current receivables is attributable to the repayment of a short-term loan by Good Champion Investments Limited of EUR 71,000k.

Cash and cash equivalents decreased by EUR 39,932k from EUR 93,808k in fiscal year 2022 to EUR 53,876k. Cash outflows were shaped in particular by higher investments in the new construction projects.

The equity ratio rose by 3.4 percentage points from 39.1% to 42.5%. From today’s perspective, the EEW Group’s refinancing base is secure given the positive business prospects.

Non-current liabilities mainly relate to the green bond of EUR 398,628k, pension provisions of EUR 49,119k and the long-term portion of the promissory note loan of EUR 20,000k. Current liabilities mainly comprise trade payables of EUR 92,308k and income tax liabilities of EUR 38,027k.

Cash flows from operating activities amounted to EUR 280,829k in the reporting period and include the repayment of short-term loan by the shareholder of EUR 71,000k. The change in cash and cash equivalents (down EUR 39,932k) is mainly due to higher investments in new waste and sewage sludge incineration plants, as is reflected in cash outflows from investing activities of EUR 204,989k. Cash flows from financing activities (-EUR 115,772k) are largely shaped by the further repayment of the current portion of the promissory note loan as well as 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 39,932k to EUR 53,876k as of year-end 2022.

Translation from the German language

3. Outlook, opportunities and risks

3.1 Outlook

The EEW Group's consolidated profit is largely shaped by current developments in the waste market, the energy 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, while municipal waste quantities reflect consumer behavior. For 2023, the EEW Group expects the anticipated recession with high inflation rates and commensurate cost increases for manufactured intermediate products and the volatile energy markets as a result of the Russia-Ukraine war to lead to a decline in purchasing power and a corresponding decrease in waste volumes to a level below the technical capacity limits of EEW's plants. In the commercial and spot markets, both volumes and market price levels are expected to decrease. The EEW Group is responding to this situation by intensifying its sales activities and targeting an increase in import volumes. The EEW Group expects the waste market to recover from 2024 onwards. For the energy sector, the changed political framework, including the electricity and gas price brake, is expected to reduce the burden on energy consumers. Germany's legislators have postponed the introduction of the additional burden from carbon taxation in the waste sector to 2024. Since December 2022, energy-producing companies have also been subject to the skimming of windfall profits. Despite taking into account an electricity price cap for the whole of 2023, the EEW Group anticipates a significantly higher specific sales price compared to the prior year in light of the sales volume already marketed in 2022 and the spot electricity price forecasts factored into its planning. A slight decline is expected in electricity volumes, offset by the contrasting effect in the district heating segment with higher sales volumes in Premnitz and Hanover. Revenue growth is expected in connection with higher specific prices. Weather in the winter months always has a significant impact on district heating revenue. While sales of process steam are expected to increase in 2023, EEW expects a decrease in prices compared to the prior year, resulting in lower revenue expectations. A further increase is expected in carbon certificate costs despite some volatility. The EEW Group expects the cost of materials to rise, primarily due to the cost of raw materials, consumables and supplies and of energy procurement. Expenses for maintenance and disposal are expected to climb. Personnel expenses will increase on the back of rises in collective wages and new hires.

The expectations presented here are the result of weighting various scenarios, including revenue growth due to potential increases in waste volumes and prices in the best case scenario. By contrast, the worst case scenario is based on significant drops in waste volumes and prices along with simultaneous bottlenecks in the procurement of operating resources and downtime at plants. A base case scenario was derived from these two scenarios, on which the medium-term plan is based.

Overall, based on the economic forecast data on GDP development in Germany, the risk of raw material shortages and supply constraints, higher energy and commodity prices, the risk of high inflation and increases in interest rates and financing costs, the EEW Group expects the financial performance indicator of revenue to increase and the financial performance indicators of EBITDA and cash flows to decrease year on year in 2023, subject to further developments in the Russia-Ukraine war.

Translation from the German language

Targets 2022	Profit/ loss 2022	Target achievement 2022	Forecast for 2023
Total revenue (EUR k)	715,516	Target exceeded	Slight increase compared with the prior year
Waste accepted (in thousands of metric tons)	4,700	Target not achieved	Decline on the prior year

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. The goal is to achieve a climate-neutral energy system by 2045. 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 quarantine measures, 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, which could lead to increased credit risks, liquidity risks and operational risks and impact the EEW Group and its operating results now and in the future.

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 ITAD, which represents thermal waste treatment companies in Germany, and BDSAV, which represents the hazardous waste incineration sector in Germany. 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, the incineration of waste and generation of energy will remain stable thanks to the above measures, regionally diversified facilities and customer structure. This development continued in 2022.

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. There are currently no risks

Translation from the German language

to the Group's ability to continue as a going concern. The risk situation is regarded as manageable thanks to the mechanisms installed. The major risks are explained below.

Market risks

In 2022, price-adjusted GDP in Germany grew by 1.9% year on year. After the coronavirus crisis and economic downturn in 2020, the German economy had hoped to see a revival in the following years. However, the war in Ukraine, rising energy prices and record high inflation rates led to a weaker economic recovery in 2022. 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 and through intraday trading. Price volatilities on the forward and spot markets are estimated using statistical analysis instruments. The probability of changes in EEW Group's 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 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. 220,000mt of filter dust is generated in the EEW Group annually and mostly used in backfilling. In order to ensure reliable waste disposal and planning certainty for the future, the EEW Group endeavors to renew expiring contracts for medium and long terms. Our contractual partners for residual waste disposal faced massive cost increases in 2022. In order to ensure the stability of the disposal chains, a diesel floater was agreed on with these contractual partners, enabling them to pass on the additional costs for transport to EEW on a monthly basis. Working together as partners in this way allowed reliable waste disposal to be secured for the locations. The EEW Group is also working on establishing additional disposal channels for flue gas cleaning residues for the locations that currently only work with one mine. Additionally, a research project in collaboration with TU Freiberg is looking for alternative uses for filter dust.

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. EEW expects that the key factors influencing the procurement market (supply chain problems, shortage of drivers, high energy costs, generally higher price levels) in 2023 will continue to have a significant impact on costs and availability. The further geopolitical and economic consequences of the Russia-Ukraine war for EEW's business development cannot be assessed in detail at present. Extreme fluctuations in the prices of raw materials and disruptions to waste supplies could have a negative impact on earnings. In particular, oil and gas prices are expected to increase further and thus lead to price increases for alternative fuels and energy sources. Due to the Russia-Ukraine war, EEW could face limited availability of materials for maintenance and inspection work and raw materials, consumables and supplies for plant operations as well as potential bottlenecks in transport capacities by road due to the lack of truck drivers. In turn, this could lead to restricted plant operations or have a negative impact on project deadlines. EEW expects that the key factors influencing the procurement market (supply chain problems, shortage of drivers, high energy costs, generally higher price levels) in 2023 will continue to have a significant

Translation from the German language

impact on costs and availability. Moreover, demand for the operating resources required by EEW will increase as fossil fuel-fired power plants recommence operations, further exacerbating the availability situation. The focus in 2023 will therefore continue to be on supply security, for example through the use of multiple supplier strategies in order to mitigate the risk of supply failure. This will be achieved by concluding fixed supply agreements and increasing inventories and storage capacities. Environmental policies will also continue to have a significant impact on the development of costs in the years to come. This is reflected in the enacted increase in carbon prices under the BEHG [“Brennstoffemissionshandelsgesetz”: German Fuel Emissions Trading Act] as well as the high level of auction prices for carbon certificates pursuant to the TEHG [“Treibhaus-Emissionshandelsgesetz”: German Greenhouse Gas Emissions Trading Act]. However, energy costs are also expect to stabilize at a higher level due to environmental policy objectives.

Furthermore, developing alternative suppliers and joining purchasing associations remain key instruments in enhancing our market position. By constantly monitoring the procurement markets, EEW can respond swiftly to market developments and identify new suppliers, products and technologies. In light of the expected market developments, projects such as the processing of sodium bicarbonate will become more significant, as they can ensure independence from market prices and volumes.

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, extended 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 extended, 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 deductibles, policy limits and premium costs. However, these insurance policies and the contractual provisions may not cover all cases of damage, lost income or increased expenses. EEW is insured at the individual plant level against risks such as damage from natural forces, operational disruptions, etc. However, non-insurable events pose a certain residual risk. EEW classifies the risk for the entire Group as manageable due to the implemented processes and safeguards 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

Translation from the German language

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 by 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 thermal waste recovery 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 on less favorable terms, EEW could lose revenue. This could also be 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 initiated 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 Trojan horse, virus). Therefore EEW has concluded service agreements with leading providers of hardware, software and telecommunications services. The services comprise timely maintenance, update and exchange of networks, equipment, IT systems and software. Additionally, EEW established the cyber security department in the fiscal year in order to improve its own IT security as well as meet the more extensive legal requirements going forward. The BSI ["Bundesamt für Sicherheit in der Informationstechnik": German Federal Office for Information Security] is currently working on tightening the reporting and documentation requirements for companies classified as critical infrastructure, which includes the EEW Group.

The EEW Group'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 2022, all plants of the EEW Group (except for MHKW Rothensee) were recertified for the second time in surveillance audits in accordance with DIN EN ISO 9001/14001/50001 and 45001. MHKW has a separate certification system. The second surveillance audit in accordance with DIN EN ISO 9001 and DIN EN ISO 50001 was successfully completed for MHKW Rothensee in the fourth quarter of 2022.

Environmental and 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 ["Gewerbeabfallverordnung": German Commercial Waste Ordinance], the AbfKlärV ["Klärschlammverordnung": German Sewage Sludge Ordinance] or a new climate protection law with more stringent reductions of greenhouse gas emissions.

Translation from the German language

National emissions trading (BEHG): Inclusion of waste incineration from 2024

In the reporting year, the Bundestag, the lower house of the German parliament, adopted the recommendations of the climate and energy committee after a second and third reading in October and enacted the BEHG [“Brennstoffemissionshandelsgesetz”: German Fuel Emissions Trading Act], now including waste incineration from 2024, which is a postponement by one year. The postponement is intended, among other things, to give waste incineration facility operators more time to make the preparations required to determine fuel emissions. In this context, the EBeV2030 [“Verordnung über die Emissionsberichterstattung”: German Ordinance on Emissions Reporting] serves as the basis according to which waste incineration facility operators must set up their monitoring, reporting and verification systems from 2024 onwards. For this purpose, EEW is elaborating the specific requirements for emissions trading in an internal working group, such as plant-specific aspects, measurement technology, approvals, contractual terms and conditions, and billing arrangements. Prior to the legal enactment, associations such as ITAD, which represents thermal waste treatment companies in Germany, and BDE, which represents companies in the waste disposal, water and circular economy sectors, had already sharply criticized the expansion of national emissions trading, rejecting Germany’s plans to go it alone at a national level and calling for a postponement until the EU-wide solution (EU ETS) takes effect. They cited a significant increase in costs without a steering effect as well as upheavals/imbalances in the waste market. While the postponement until 2024 meets the minimum demand of the associations, they are still advocating a European solution. Therefore, in the view of the EEW Group, thermal waste processing must still be included in the EU taxonomy without delay. Additionally, ITAD is currently preparing a model case against the BEHG with respect to thermal waste recovery. Future carbon pricing will be a high cost/risk factor for waste incineration facility operators and EEW. There is a risk that additional costs could arise that would not be able to be fully recharged to customers.

European emissions trading (EU ETS): Inclusion of waste incineration from 2028

At the European level, in December 2022, the European Council and European Parliament reached a provisional agreement that waste incineration facilities could be subject to EU emissions trading (EU ETS) from 2028 (with the possibility of an opt-out until 2030). The EU Commission is to report on this proposal by 2026. The trilogue agreement also provides for the gradual reduction of the volume of carbon certificates in the EU emissions trading scheme (ETS-1) by 62% until 2030 compared to 2005 (current goal: 43%) and for the gradual end of free allowances for companies by 2034. Additionally, all EU countries are to set up monitoring, reporting and verification systems for carbon emissions from municipal waste incineration facilities by 2024 (see the German BEHG as specified in more detail by the EBeV2030). The agreement on the EU ETS still has to be confirmed by the member states in the Council and Parliament in order to become effective. EEW is currently not required to act on waste incineration due to the applicable exemption under the EU ETS – except IHKW Andernach (due to waste and other fuels) as well as Stavenhagen and Göppingen (only standby boiler facilities, since they are greater than 20 MW).

German Commercial Waste Ordinance (GewAbfV): not consistently enforced as yet

As expected, the GewAbfV had hardly any impact on the waste volume and the market in 2022. This is due to the fact that the waste management industry has only made minimal investments in new sorting capacities to date and that there has been no consistent enforcement of the law. Fewer checks were performed due to the coronavirus pandemic. Additionally, monitoring varies from one federal state to the next. The Federal Ministry for the Environment initiated a review of the requirements for achieving recycling quotas and separate waste collection using a project to evaluate the GewAbfV

Translation from the German language

(completion was scheduled for fall 2022, results not yet published). This could lead to an amendment in addition to recommendations for action.

German Packaging Act (VerpackG): Higher recycling rates starting 2022 – no significant effects

The amended VerpackG requires considerably higher volumes of waste to be recycled. Since 1 January 2022, higher recycling quotas have applied for packaging in Germany that had to be implemented by the dual system operators. The higher recycling quotas of the VerpackG can also contribute to achieving the European target of recycling 50% of plastic packaging from 2025 (according to the output method). More recycling of household packaging is expected to only have a minor impact on waste incineration, as packaging collection currently includes a large proportion of residual waste after sorting and incorrectly sorted waste and technical feasibility is still inadequate even in modern sorting facilities. As expected, the VerpackG did not have a significant effect on the thermal waste recovery business for EEW in 2022.

Green bond

In keeping with its aim of contributing to climate-friendly energy generation and its role in the circular economy, in 2021, EEW established a Green Financing Framework that will connect sustainable projects with sustainable financing. The Green Financing Framework creates the basis for the use of sustainable instruments to finance and refinance sustainable projects and activities offering a clear benefit for the environment and society. It defines, based on various voluntary standards on transparency and openness, the conditions for targeted investment in suitable sustainable projects and activities of EEW. Sustainable projects may include projects aimed at energy efficiency, avoiding and controlling environmental pollution as well as products, production technologies and processes designed for the circular economy. EEW wants to provide added benefit for all partners with this approach to sustainability. The Green Financing Framework is based on the following international standards: the Green Bond Principles published by the International Capital Market Association (ICMA) and the Green Loan Principles issued by the Loan Market Association (LMA). Inclusion in the taxonomy would be a recognition of the circular economy and would also boost the image of thermal waste recovery and offer the prospect of better conditions for future financing.

Since February 2022, the federal government has adopted three comprehensive relief packages to the tune of EUR 95b and a protective shield of EUR 200b in order to curb rising energy costs. The total budgeted amount is EUR 300b.

Measures include immediate aid for December, whereby households or companies that consume less than 1.5 million kWh of gas or heat per year were exempted from their monthly payment for December 2022.

The electricity, gas and heating price brakes are expected to apply from 1 March 2023 to 30 April 2024. With retroactive effect from the beginning of 2023, prices are capped for 80% of consumers' prior-year consumption of gas and heat and for 80% of their forecast electricity consumption.

The federal government intends to skim off windfall profits of electricity generation plants to help finance the enacted electricity price brake. Operators of electricity generation plants are required to transfer 90% of their windfall profits to their respective grid operators. Initially, the windfall profits for the electricity volumes that the government assumes the plant operators will feed into the grid in the period from 1 December 2022 to 30 June 2023 will be skimmed. The German federal government can extend this period until 30 April 2024 by issuing a statutory ordinance.

Translation from the German language

Legal risks

Due to different legal views 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, conclusion and execution of major contracts. External legal advisors are used to assess and mitigate imminent risks from a legal perspective, where necessary.

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. A change in the discount rate, for instance, affects the present value of pension provisions. In the course of investing its available cash and cash equivalents, EEW mostly uses time deposits with short notice periods.

EEW issues letters of comfort to a normal extent in the course of operating activities. These letters of comfort are assessed continuously and the probability of occurrence is determined based on extensive historical data. The EEW Group considers the risks of claims under these obligations to be low. EEW GmbH issued letters of comfort 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 the existing waste incineration facility in Stapelfeld will cement the EEW Group's significance in the Hamburg and Schleswig-Holstein regions. The commissioning of the EVE2 in Premnitz is fueling further market penetration and leading to the planned eco-friendly supply of district heating to the town of Brandenburg.

In the area of sewage sludge disposal, the necessary infrastructure is being expanded, having started at the latest after the legal amendment in 2017. This is due to the entry into force of the AbfKlärV ["Verordnung über die Verwertung von Klärschlamm, Klärschlammgemisch und Klärschlammkompost": German Sewage Sludge Ordinance] in 2017 and the tightening of the DüMV ["Düngemittelverordnung": German Fertilizers Ordinance] since 2019 as well as the obligation to recover phosphorous for municipalities above a certain size. In Germany, major investments are being made in the construction of new capacities for thermal sewage sludge treatment and phosphorous recovery. The crises caused by the Russia-Ukraine war have added further momentum. One trigger is

Translation from the German language

the sharp rise in prices for mineral fertilizers, especially nitrogen and phosphorous. As a result, farmers are desperately looking for alternatives and the demand for soil-based use of sewage sludge is higher than it has been in many years, making it hard to meet. At the same time, many coal-fired power plants are back to working at full capacity in order to cover the demand for electricity, thus also significantly increasing the co-incineration of sewage sludge. The higher supply of disposal capacity is currently pushing down prices. The technology still has to be developed and the facilities built to meet the requirements for the recovery of phosphorous from sewage sludge applicable from 2029. Once all EEW sewage sludge mono-incineration plants in Germany have been commissioned, EEW is currently expected to command a market share of 7.5% in 2029.

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. There are discussions at EU level on amending the 1986 EU Sewage Sludge Directive in 2023. 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.

The EEW Polska entity is engaged in preparatory activities for the construction and operation of waste incineration facilities in Poland. One specific project is planning for a waste incineration facility for the purpose of supplying a major industrial company in northern Poland with steam. A key milestone is obtaining the environmental approval. At the same time, EEW Polska is looking into developing other locations as there is a significant shortage of capacities in the thermal waste treatment market in Poland. EEW Polska is also involved in acquiring waste in Poland for recovery within the EEW Group.

In addition to building new energy from waste and sewage sludge incineration plants, EEW is also working on expanding its product and service portfolio in the waste segment. Recovering minerals through thermal treatment of road asphalt, chemical recycling of plastic waste or thermal treatment of electronic waste for the purpose of recovering precious metals and rare earth elements are examples of innovations throughout the current value chain.

Projects and activities in connection with residual waste disposal include recovery of operating resources (sodium bicarbonate), preparation of flue gas cleaning residues for use as an additive in the construction materials industry or securing capacities for disposal of flue gas cleaning residues in the long term.

Digitalization will also contribute to process optimization and efficiency enhancements at EEW. Several projects were implemented, continued and initiated in 2022. As in this year, EEW as a company will follow up on 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 EU Waste Framework Directive and especially the Landfill Directive, with its target of reducing the landfill volume to under 10% by 2035 (2019 status quo: 24%), have a future potential of nearly 30 million mt even with the achievement of the set recycling targets. Depending on the volume of the secondary waste flow from the recycling output, this potential could be significantly higher. The general trend of an increase in residual waste after sorting (due to China’s import ban, non-recyclable composites in packaging and stricter limit requirements for sorting) exceeds the conservative estimate. Moreover, there will be positive effects from the shutdown of coal-fired power plants by 2030 at the latest, from mechanical biological waste treatment plants, new capacities (whose construction has been postponed or discontinued in many locations due to the current political and economic situation), which will offset the planned increase in the use of RDF in cement plants. The net export situation in the last couple of years as a result of high capacity utilization (Germany has been a net exporter of RDF since 2020) is, however, likely to change back to a net import situation (as prior to 2020), with a strained volume situation due to the current economic and political conditions. According to market information, several notification procedures are currently in the pipeline, mainly from Italy, followed by Poland, the UK and France, all countries in which the carbon tax on landfills is increasing. The RDF import tax in the Netherlands and the introduction of an incineration tax in Sweden in 2020 as well as restrictions on RDF imports in Denmark are expected to curb future exports to these countries. A economic recovery is not expected before 2024. In this connection, growing consumption, manufacturing and the construction industry will result in a renewed increase in waste quantities.

EEW intends to expand its role as a leader in resource conservation and sustainable energy generation for industry and households in Europe and thus enhance the circular economy. EEW contributes to reducing the global emission footprint by increasing energy efficiency and using renewable energy sources at its plant locations as well as boosting recycling of residual waste and reducing greenhouse gas emissions. Investments in technological innovations and process efficiency, development of new products and services and continuous optimization of the plants leads to better processes for the long term and strengthens the circular economy. EEW positions itself as an attractive and forward-looking employer through personnel development programs, enhanced customer satisfaction, intensified stakeholder management and hazard mitigation plans at plant sites.

Translation from the German language

Helmstedt, 24 March 2023

EEW Holding GmbH

The Management Board

Kemper	Hauck	Manns

Translation from the German language

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.