

**URENCO Deutschland GmbH
Gronau/Germany**

“Testatsexemplar”

Management report and
annual financial statements
for the financial year from
1 January to 31 December 2022
as well as Independent Auditor’s Report

<p>TRANSLATION – German version prevails –</p>

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General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)

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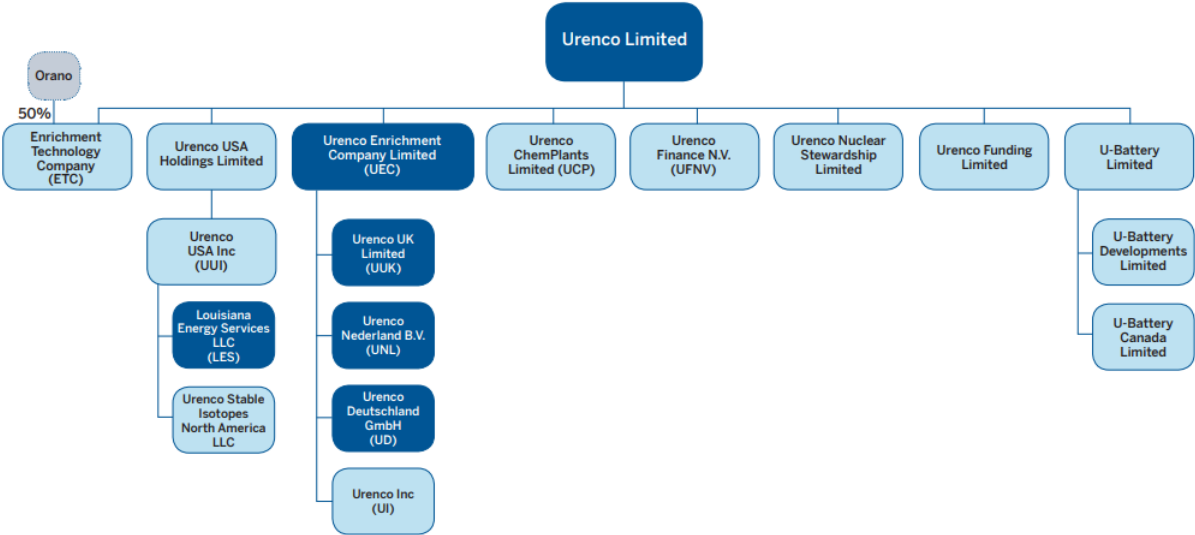
URENCO Deutschland GmbH, Gronau/Germany

Management report for the financial year 2022

1. Business and framework conditions a. Organisational and legal framework

URENCO Deutschland GmbH makes part of the Group of Urenco Ltd., Stoke Poges/Great Britain, in whose consolidated financial statements it is included. Sole shareholder of URENCO Deutschland GmbH, Gronau/Germany is Urenco Enrichment Company Ltd., Stoke Poges/Great Britain.

The group structure is as follows.



Urenco Group (hereafter also named Urenco) is an independent global energy and technology group. It operates plants with self-developed centrifugal technology in Germany, the Netherlands, Great Britain and in the United States. It aims to provide safe, cost-effective and reliable uranium enrichment for civil nuclear plants within the scope of ecological, social and entrepreneurial responsibility. Urenco Group is thus supporting its customers in covering the global energy need and in producing CO₂-low energy.

The agreement of Almelo (the international agreement between the Federal Republic of Germany, the Kingdom of the Netherlands and the United Kingdom of Great Britain and Northern Ireland on cooperation in the development and use of the gas centrifuge process for the production of enriched uranium) dated 1970 provides for a solid foundation for Urenco Group. The Almelo contract provides the basic principles for an effective monitoring of the used centrifugal technology with regard to non-proliferation. In light of the growth of Urenco Group, the international cooperation was expanded by further treaties to include the United States and France. The Almelo contract provides the basic principles for a continuous and reliable operation of Urenco Group and assures the long-term continuity and stability of our business operation.

With notification dated 14 February 2005, URENCO Deutschland GmbH was granted the unrestricted approval for erecting and operating the uranium enrichment plant Gronau with a separation capacity of up to 4,500 t UTA/a by the then Ministry for Transport, Energy and Regional Planning of the state of North-Rhine Westphalia. Insofar, URENCO Deutschland GmbH is a central component of this diversity in the worldwide provision with enrichment services by Urenco Group.

b. Macroeconomic situation

According to initial estimates, global economic output increased by around 3.2% in 2022 compared to the previous year, which is significantly lower than originally forecast. After the Corona pandemic hit the global economy in previous years, it is now the Ukraine war that is dampening global growth. High inflation rates, being primarily due to rising energy costs, negatively affect the global economy.

Global economic growth is also expected to weaken in 2023 to 2.7% compared to 2022. From the perspective of the International Monetary Fund, the risks are predominantly on the downside: A renewed rise in the oil price, a stronger deterioration in the financial markets than expected, with higher risk premiums on government bonds of emerging countries and tighter financing conditions for companies, as well as a continuation of the real estate crisis in China are considered the greatest dangers.

According to initial estimates, the gross domestic product in the Eurozone increased by 3.1% in 2022 compared to the previous year. However, given the high energy prices as well as inflation rates, the forecast for 2023 is clearly lower at 0.5%.¹

¹ Cf. BMWK: THE SITUATION OF GLOBAL ECONOMY AT THE END OF THE YEAR 2022 p. 35 et seq.

In comparison with the prior year, price-adjusted economic output in Germany increased by only 1.9%. The largest economy in the euro area is under pressure due to high energy prices as a result of the Ukraine war and a weak global economic environment. At 8.0%, the price increase was significantly higher than in the prior year (3.1%) and is primarily driven by the energy costs.²

c. Global market for nuclear energy and enrichment services

About 10% of the worldwide energy production is produced by 422 nuclear power plants with a capacity of about 378.3 GWe.³ The capacity, installed at present, can be analysed as follows when compared to the prior year:⁴

	2022		2021		Change	
	MWe	Number	Mwe	Number	MWe	Number
United States	94,718	92	95,523	93	-805	-1
France	61,370	56	61,370	56	0	0
China	52,170	55	49,769	52	2,401	3
Russia	27,727	37	27,653	37	74	0
South Korea	24,431	25	23,150	24	1,281	1
Japan	16,321	17	31,679	33	-15,358	-16
Canada	13,624	19	16,624	19	-3,000	0
Ukraine	13,107	15	13,107	15	0	0
Spain	7,121	7	7,121	7	0	0
Sweden	6,882	6	6,882	6	0	0
India	6,795	22	6,885	23	-90	-1
Great Britain	5,883	9	7,343	12	-1,460	-3
Germany	4,055	3	4,055	3	0	0
Rest	44,110	59	38,013	57	6,097	2
	378,314	422	389,174	437	-10,860	-15

² Cf. KIEL ECONOMIC REPORT NO. 98 (2022|Q4) p. 3

³ Cf. <https://www.grs.de/de/aktuelles/kernenergie-weltweit-2023>, data request: 31 January 2023

⁴ cf. International Atomic Energy Agency Power Reactor Information System (PRIS); <https://pris.iaea.org/PRIS/home.aspx#>, in the version from January 2023

A total of 57 nuclear power plants is currently under construction; this corresponds to about 15% of the capacity installed at present. Further 103 nuclear power plants are currently planned corresponding to about 28% of the capacity installed at present.⁵ The approx. 422 nuclear power plants worldwide are operated in 32 countries, whereby Urenco Group has customers in 19 countries.

After hydro power, nuclear energy is the world's second-largest low-carbon energy source. In the year 2022, 13 countries covered at least one-fourth of their energy need directly with nuclear energy. France covers about 62% of its energy need with nuclear power. In 2022, around 39% of the world's electricity generation was generated by low-carbon energy sources such as nuclear energy. It is noteworthy that in 2022, France's energy production was more than 85% low in carbon, which underlines the important role and effectiveness of nuclear power in achieving the climate targets. On the other hand, around 51% of the energy in Germany still comes from carbon-intensive production (especially coal and gas).⁶

For our customers, each nuclear power plant means high initial investments in an amount of several billion euros. Urenco Group offers a reliable source for enrichment services to keep these nuclear power plants operative and to ensure the fuel supply.

The nuclear power industry plays a key role in the reliable provision of carbon-low power. It requires long-term, cost-efficient and diverse enrichment services for its fuels. The EU Commission also recognised this fact and submitted on 2 February 2022 a supplementary delegated Taxonomy Act on Climate change Mitigation and Adaptation to Climate Change. The act contains clear and strict conditions under Article 10(2) of the Taxonomy Regulation, under which, among other things, certain nuclear energy activities can also be classified as transitional activities – in addition to the activities already covered by the first delegated act on climate change mitigation and adaptation, which has been in force since 1 January 2022.⁷ This will support the financing of new nuclear power plants in Europe, so that capacities in the EU will be further expanded and nuclear energy will be a key technology for achieving climate neutrality in the EU by 2050. This will also lead to an increasing demand for enrichment services as an important value-added stage in the nuclear fuel cycle.

⁵ Cf. [https://world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-archive/world-nuclear-power-reactors-and-uranium-requ-\(13\).aspx](https://world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-archive/world-nuclear-power-reactors-and-uranium-requ-(13).aspx), data request: 2 February 2023

⁶ cf. <https://lowcarbonpower.org/de/>: data retrieval: 2 February 2023

⁷ cf. press release of the EU Commission dated 2 February 2022: EU Taxonomy Commission presents supplementary delegated climate legislation to speed up decarbonisation

In the wake of the energy crisis resulting from the Ukraine war and the ambitious climate targets, many countries will in future rely on nuclear energy as a low-carbon and base-load capable form of energy. The operation of nuclear power plants is seen by many countries as an important building block for national security of supply and diversification of energy production paths. This is also reflected in an increased number of planned, new power plant projects (e.g. Netherlands, Poland) in addition to the nuclear power plants already under construction.⁸ Furthermore, a number of countries currently prolonged the operating periods of their existing nuclear power plants (e.g. Belgium, United States, Japan).

The consequences of the energy crisis are also reflected in the market price recovery for separation work services. At the end of the year, the market price amounted to about 125 \$/SWU [Separative Work Unit] and significantly recovered in 2022, but fell still below its maximum value of about 160 \$/SWU in the year 2009. In line with this, the market price for natural uranium equivalents in form of UF₆ rose to about 165 \$/SWU.⁹

The uses of centrifuge technology go far beyond providing low-carbon energy. It helps to control the progression of disease, assists physicians in diagnosing and treating patients, and powers the most ambitious space exploration missions. These diverse applications put nuclear technology at the centre of the world's sustainable development efforts. The stable isotope business of our Dutch sister company, Urenco Nederland B.V., makes an important contribution to society, from diagnostics, therapeutics and pain relief to supporting the development of quantum computers.

d. Strategy and values

i. Objective, vision, mission and values

The corporate strategy of Urenco Group is codified in “**Our strategy**”.

Our objective: Believing that nuclear power is an essential part of the energy mix for a more sustainable future, we aim to be a respected and trusted utility. By using our technology and expertise, we help ensure that everyone has the energy to succeed.

Our vision: We want to be a trusted leader in meeting the world's demand for sustainable energy.

⁸ cf. https://www.stern.de/wirtschaft/atomkraft--deutschland-macht-schluss---im-gegenatz-zu-anderen-laendern_33094072-33094010.html, data request: 1 February 2023

⁹ cf. <https://www.uxc.com/p/prices/UxCPrices.aspx?currency=eur>, data request: 26 January 2023

Our mission: Through the expertise of our employees, our technology and our portfolio of products and services, we play an essential role in providing the energy for successful operations.

Urenco Group is committed to the following corporate values:

 **Safety**

We are proud on ensuring the safety of our employees, society and the environment, and upholding the reputation of our industry, products and services.

 **Integrity**

We are honest, fair and respectful in the way we work.

 **Leadership**

We rely on our people to be responsible, inclusive, collaborative and effective communicators who continue to develop and support our leadership role in the industry.

 **Innovation**

We have the energy, expertise and flexibility to help our clients and our business achieve long-term success.

 **Sustainability**

We are committed to a successful long-term future by continuing to invest in our people, communities, technology and services and creating value for our shareholders.

Our strategy is the basis for Urenco Group’s ten-year business plan, which is our guideline for budget preparation in financial terms, among other things.

ii. Safety

Safety is the top priority within Urenco Group. Safety is a central value of our corporate culture and thus we are working under highest safety standards. Various programmes and initiatives ensure this goal.

- **ZERO HARM**

ZERO HARM is a set of guidelines for managing occupational safety and is based on the principle that all injuries and incidents are preventable. Hence, we have the vision to create with ZERO HARM an environment, in which nobody is injured or damaged.

- **Workplace committee**

The workplace committee brings together the functionaries in charge of occupational safety and accident prevention to discuss occupational safety issues. The Occupational Safety Committee formulates recommendations, whose realisation is then decided by the management, where applicable under involvement of the works council.

- **The professionals for occupational safety advise (FaSi) as well as Safety Officer**

The professionals for occupational safety advise and assist URENCO Deutschland GmbH in all occupational safety issues, health protection issues, accident prevention as well as the employees' workplace design. The Safety Officer acts as connector between the executives and the employees and provides suggestions for the improvement of the occupational safety and the health protection.

- **“Lockout, Tagout, Tryout”**

Already in the financial year 2017, we have implemented a further process instruction “Lockout, Tagout, Tryout”, to create a safe working environment already before start of work.

- **“Safety Survey”**

- Safety Surveys are conducted regularly to measure progress in the area of safety and ultimately to continuously improve the safety culture, safety record and our processes. The aim is to prevent occupational accidents both among our employees and contractors working for us.

- **“Safety Day”**

“Safety days” are regularly organised, in which employees and third-party companies as well as family members participate. Thus, the handling of “safety equipment” (such as for example extinguishers or defibrillators) could be trained in various activities. In addition, there were further information desks on traffic safety or safety at home.

- **“Near Miss”**

For avoiding that possible sources of danger actually turn into work accidents, a system for accident prevention was established with the notification of so-called “near misses”. A “Near Miss” is a suddenly incurring, unplanned event not causing an injury, illness or damage but with the potential to do so. A high safety level can only be reached and held through ongoing improvements and the awareness for threats as well as for “near misses”.

iii. Corporate values

Our corporate values are daily lived by our employees. There are various initiatives that aim to ensure that our corporate values are transported within our organisation and thus ensure that they set the framework for our daily activities. To be mentioned here is e.g. the initiative “Create a winning team” as part of our corporate strategy “Our strategy”. While **“Our Strategy”** describes what we want to achieve, **“Our Culture”** codifies how we want to implement and work together.

One Urenco: Through active, transparent and respectful cooperation, we strengthen the team spirit and our performance, whereby everyone can contribute their (his?) different strengths.

Act Today for Tomorrow: The focus is on continuous improvement and innovation and conscious action with a broad and long-term perspective.

Own our Results: Take responsibility and demand from others and live (exemplify) a strong safety culture and a safe working environment.

iv. Environment and sustainability

There is a consensus among scientists that man is responsible for global warming. Already today, the accelerated increase of the sea level is threatening the small Pacific isle state Tuvalu as well as Asian Bangladesh with millions of inhabitants in their existence. A further consequence of the global warming is the increased number of extreme weather conditions. Local heavy rain, stronger storms, hail in all seasons as well as longer and hotter droughts become more frequent. To limit the increase in temperature until the end of the century to less than 2°C as was agreed in 2015 within the Paris Convention, the anthropogenic CO₂ emissions must be strongly reduced in short time. The entire humanity has only a rare residual budget in the size of a few hundred gigatons CO₂¹⁰ – given annual emissions of 36 gigatons CO₂ per year, this residual budget will be used up in about a decade.¹¹

According to the International Energy Association IEA, nuclear power has worldwide avoided the emission of 63 billion tons CO₂ over the last approx. 50 years.¹² The further operation of the worldwide existing 422 nuclear power plants and the further expansion of the nuclear power do not only serve the climate and the supply reliability but also the fight of poverty. Nuclear power may significantly contribute to provide access to a reliable, payable and climate-protecting power supply for more and more people. We are proud to make, together with our sister companies in the Netherlands, in Great Britain and in the United States of America, our future contribution to this climate-friendly energy supply for the world, by supplying nuclear fuels to more than 50 customers in 19 countries. The therefore used centrifuge technology proved to be the safest and most energy-efficient method of uranium enrichment.

For URENCO Deutschland GmbH, enriching uranium for climate-friendly energy generation, environment protection is a central concern. For us, sustainability means to use the available resources now and in future in a most effective way under protecting the environment and the climate without causing of our process medium uranium hexafluoride or other environment-affecting events.

¹⁰ cf. www.nature.com/articles/nclimate2572, data request: 31 January 2023

¹¹ cf. www.dw.com/en/15c-degree-goal-extremely-unlikely-ipxx/a-42154601, data request: 31 January 2023

¹² Cf. Nuclear Power in a Clean Energy System, May 2019, p. 9.

Sustainability is an integral part of everything Urenco Group does, both in terms of the longevity of our business, our environmental impact and the way we give back to society. In terms of environmental impact, the commissioning of the Tails Management Facility, which is being built and operated by our UK sister company Urenco ChemPlants Limited, is making good progress and represents a significant investment in the responsible management of the by-product of our enrichment services. Due to the uranium oxide storage at our facility, we can map the entire process and maintain sufficient storage capacities until storage into a final repository.

By strictly complying with high standards when planning, erecting and operating the plants, failures and accidents are prevented if possible. URENCO Deutschland GmbH keeps the health, safety and environmental management system, the latter also including an energy management system, on a high level and is improving it where appropriate. With the continuous improvements, URENCO Deutschland GmbH is aiming to minimise to the extent possible the impacts on our safety and health activities as well as to continuously improve our environmental performance.

Our plants are planned and designed under consideration of a comprehensive environmental protection and the resources. The current operation of the plant is directed to minimise environmental charges and waste also below defined thresholds and to reduce the energy consumption. All environmental impacts are monitored and assessed on an ongoing basis. The public is regularly informed about the operation and environmental protection activities.

With regard to the environment protection, the commitment for continuously improving our environmental performance is one of the central points on our agenda. The centrifuge method used by us works with the worldwide lowest energy need for uranium enrichment at highest possible safety and with a minimum impact on environment. This has been proved by the continuous safe operation at the Gronau location. The energy efficiency and reliability of the centrifuges are so high that the technology sets a global benchmark.

Eco-Management and Audit Scheme (EMAS)

Shortly after the coming into force of the Eco-Management and Audit Scheme (EMAS) in 1996, URENCO Deutschland GmbH had already established an environment management system that meets the requirements of this directive. This is one of the highest standards of an environment protection management system on European level. EMAS stands for validated environment information that is also available to public. Furthermore, since 1997, we have reviewed the environment management system for compliance with the requirements of the internationally accepted standard for environment management systems, DIN EN ISO 14001. The compliance with these requirements is regularly reviewed and confirmed by auditors and environmental auditors. In exceeding the legal minimum requirements, the environment management system assures continuous improvements of the environment protection and makes a contribution to saving resources.

The demanding requirements of the European Eco-Management and Audit Scheme (EMAS) are our benchmark, based on which our environment management system has been successfully reviewed by an independent environmental auditor since 1996. Also the review in the financial year 2022 again shows a successful eco-audit. The environmental auditor audited the environmental policy, the environmental program, the eco-audit, the environment management system and the environmental statement of URENCO Deutschland GmbH on compliance with the EMAS Directive and explained it for valid.

Also in the 26th year in a row, we hold on the EMAS-connected commitment to continuously improve our environmental performance. Compared to the prior year, the CO₂ emissions of URENCO Deutschland GmbH could be reduced by more than 23%. Urenco Group has set itself the goal of being carbon neutral by 2030 and will continue on the path of substantial emission reductions in the coming years.¹³

The involvement of all employees when processing environmental topics is a fundamental requirement for a functioning environment management system and is supported, amongst others, by the idea management.

v. Quality

Quality is a key success factor for URENCO and essential to fully meet regulatory and customer requirements. We are regularly audited and successfully certified according to the following DIN standards.

DIN EN ISO 9001

URENCO Deutschland GmbH operates a quality management system complying with the requirements of the international standard EN ISO 9001 and the requirements under nuclear supervision law as well as with the provisions of the nuclear set of rules KTA 1401 and even exceeds those. The quality management system makes part of the integrated management system for quality, environment, occupational safety and health as well as safety. The compliance with the requirements of DIN EN ISO 9001 and KTA 1401 is regularly reviewed and confirmed by external auditors.

¹³ cf. https://www.urengo.com/cdn/uploads/supporting-files/Umwelterkl%C3%A4rung_der_URENCO_Deutschland_GmbH_Berichtsjahr_2022_1.pdf, data request: 7 February 2023

DIN ISO/IEC 27001

In 2011, URENCO Deutschland GmbH started the project Further Development and Certification of its Information Security Management System according to DIN ISO/IEC 27001. The project was successfully completed with the certification in July 2012. The international standard ISO/IEC 27001 (Information technology – Security techniques – Information security management systems - Requirements) specifies the requirements for the establishment, realisation, performance, monitoring, review, maintenance and improvement of a documented information security management system (ISMS). At the two-day recertification according to DIN ISO/IEC 27001 in November 2021, no deviations were observed again.

The Information Security Manager (ISM) is appointed by the management as person in charge of the maintenance of an information security management system (ISMS) adapted to the needs of URENCO Deutschland GmbH as well as of the creation of an adequate IS organisation. The ISM is in particular responsible for the operative realisation of the IS risk management process and for the decision-oriented reporting.

Plan-Do-Check-Act-Cycle

A further important element of the management system of URENCO Deutschland GmbH is the continuous improvement process based on the Plan-Do-Check-Act Cycle.

Customer audit

Regularly, URENCO Deutschland GmbH is also audited by its customers. In doing so, the customer examines and assesses the organisational and possibly also the technical performance of URENCO Deutschland GmbH. With these measures, the customers assure that the enrichment services additionally purchased from URENCO Deutschland GmbH, are provided with a lasting high standard.

The compliance with the high quality standards assures the necessary product quality and makes an important contribution to a safe operation of the uranium enrichment plant.

2. General business development

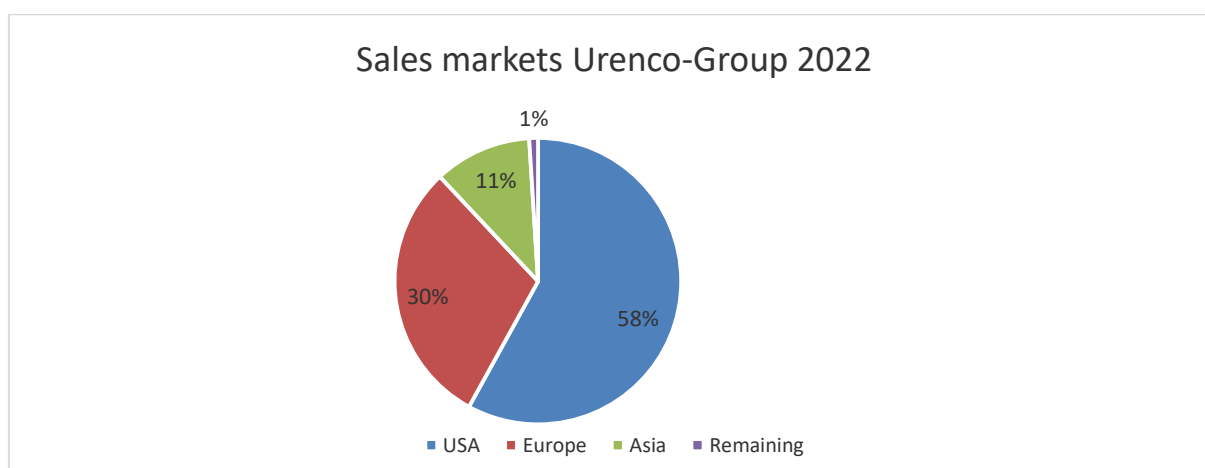
The annual financial statements of URENCO Deutschland GmbH for the year 2022 reflects a robust financial and operative performance in an era of significant global disruption due to the Ukraine war.

The Company is managed in accordance with IFRS (International Financial Reporting Standards) and reference is made to the comments on financial performance indicators. Consequently, all financial statements in this section refer to IFRS reporting.

In the 2022 financial year, all delivery and service obligations to our customers were fulfilled 100%.

The sale of uranium enrichment services is made centrally by Urenco Enrichment Company Ltd., Stoke Poges/Great Britain, which closes and manages enrichment contracts in the name and on account of URENCO Deutschland GmbH. As in Germany resident enrichment company, URENCO Deutschland GmbH makes a material contribution for achieving the business targets of Urenco Group. URENCO Deutschland GmbH counted for about 21% of the total supplies of the Group in 2022.

In 2022, the sales markets of Urenco Group were divided as follows in terms of revenue:



Overall, the key performance indicators (KPIs) in 2022 correspond to the budget values and we therefore consider the current business development to be positive.

The production output in the reporting year was marginally (-2.0%) below the budget estimate for 2022 and the previous year's value (-1.8%). The reasons for this were time delays in the (re)commissioning of cascades.

Revenue in the reporting year slightly exceeded (+4.6%) the budget, while compared to 2021, a clear reduction was on hand (-14.9%); in December of the prior year extraordinary high amounts of separation work inventories were sold within the group.

The reporting year's operating costs fell clearly (-5.3%) below the budget caused primarily by lower energy costs. In the year-to-year comparison, the operating costs even showed a stronger decline (-10.8%) being due to lower energy costs on the basis of a long-term purchase strategy as well as the lapse of the EEG levy as of 1 July 2022. Profit after tax (IFRS) clearly exceeded the budget estimate in 2022 (+45.7%), while it decreased in comparison to 2021 (-9,3%).

In the reporting year, the capital investments (CAPEX) clearly exceeded the budget (+8.8%). On the one hand, this was due to the number of projects but also to budget deviations on account of price rises.

We refer to our reporting on the financial and non-financial performance indicators as well as to our reporting on the assets, liabilities, financial position and financial performance (HGB).

3. Assets, liabilities, financial position and financial performance

a. Assets and liabilities

The following balance sheet shows the assets and liabilities under German Commercial Law (HGB) as well as the fund origin by maturities.

	31 December 2022		31 December 2021		Changes	
	kEUR	%	kEUR	%	kEUR	%
Fixed assets	199,211	19.3	234,770	26.6	-35,559	-15.1
Inventories	411,186	39.8	317,244	36.0	93,942	29.6
Receivables	320,870	31.1	219,853	24.9	101,017	45.9
Cash and cash equivalents	5,993	0.6	445	0.1	5,548	>100.0
Sundry assets	24,925	2.4	25,125	2.9	-200	-0.8
Deferred taxes	70,749	6.8	83,982	9.5	-13,233	-15.8
ASSETS	1,032,934	100.0	881,419	100.0	151,515	17.2
Equity	205,273	19.9	149,463	17.0	55,810	37.3
Non-current liabilities	704,292	68.2	633,893	71.9	70,399	11.1
Current liabilities	123,369	11.9	98,063	11.1	25,306	25.8
CAPITAL	1,032,934	100.0	881,419	100.0	151,515	17.2

Assets

The decline in fixed assets is primarily due to amortisation of intangible fixed assets and depreciation of property, plant and equipment of kEUR 47,329 and disposals of kEUR 4,570 matched by capital investments of kEUR 16,327.

During the entire financial year 2022, capital investments of kEUR 16,327 were notably made for the procurement of new transportation containers (kEUR 5,100), the replacement of centrifuges (kEUR 3,000) as well as for strengthening measures and necessary replacement investments (kEUR 6,800).

The separation capacity is 3,700 t UTA/a (prior year: 3,800 t UTA/a) at year end. The production in 2022 was about 3,500 t UTA/a (prior year: about 3,600 t UTA/a) and is marginally below the aforementioned planning.

The current operation of the plant ran according to plan. The plant was operated safely in 2022 and without any breakdowns. No plant-related radioactivity was measured in the exhaust air and the waste water and the environment was not burdened in any way. The supply and delivery of the natural uranium as well as of the enriched and depleted uranium ran as planned.

The significant increase in inventories (kEUR +93,942) mainly results from higher inventories of separation work.

Receivables materially increased compared to the prior year's balance sheet date (up by kEUR 101,017), which is mainly due to the positive development of the group clearing account (up by kEUR 120,645). Please refer to the explanations in section b. Financial position. In addition, the receivables from separation work services declined by kEUR 24,303.

Next to the prepaid expenses, the sundry assets include other assets. The other assets notably include income tax refund claims and interest on these claims in accordance with Sec. 233a AO. In addition, an input VAT surplus is disclosed.

The decrease in deferred tax assets is primarily due to the differences between the values recognised for the other provisions within the commercial balance sheet and in the tax base. In this respect, we refer to the explanations on deferred tax assets within note (4) in the notes to the financial statements.

Capital

Equity increased by kEUR 55,810 to kEUR 205,273 due to the profit for the past financial year. A distribution block of kEUR 72,467 is disclosed as at 31 December 2022.

The long-term borrowing capital primarily comprises the long-term pension provisions and staff provisions, the waste disposal provisions as well as the proportionate costs for the container scrapping of the group. The increase in long-term borrowing capital is kEUR 70,399. This development primarily relates to the volume- and cost-related increase in provisions for commitments from the disposal of depleted uranium (up by kEUR 128,101). Decreases were observed in contrast for the provisions for the asset retirement obligation (kEUR -20,380) as well as for the provision for the Group's costs for container scrapping (kEUR -34,326); in this respect, reference is made to the reporting on the changed valuation methods for the other provisions within the notes.

Current liabilities essentially include the provision for performance obligations from sales of natural uranium equivalents, current provisions for impending losses from pending transactions (derivative financial instruments), the current portion of pension and personnel provisions, tax provisions, current advance payments received, liabilities from current offsetting of deliveries and services, and liabilities to group companies.

The development of the current external capital (kEUR +25,306) primarily results from commitments under contracts for loans in kind on natural uranium equivalents in form of UF₆ (kEUR +14,892) as well as on separation work services (kEUR +13,546).

Finally, URENCO Deutschland GmbH has an adequate equity ratio of 20% (prior year: 17.0%) and all non-current assets are financed long-term with equity and debt capital with matching maturities.

b. Financial position

The following cash flow statement in accordance with GAS 21 provides an overview of the financial position of the Company.

	2022 kEUR	2021 kEUR
Profit/loss for the year	55,809	-7,713
+/- Amortisation, depreciation and write-downs on/write-ups on fixed assets	47,329	63,666
+/- Increase/decrease in provisions	77,238	170,454
-/+ Increase (-)/decrease in inventories, trade receivables as well as other assets that are not allocable to investing or financing activities	-80,007	11,492
+/- Increase/decrease in trade payables as well as other liabilities that are not allocable to investing or financing activities	32,882	12,559
-/+ Gain on/loss from disposal of fixed assets	0	-2
+/- Interest expenses/interest income	90	50
- Other investment income	-6,509	-7,075
+/- Income tax expense/income tax credit	40,811	10,172
-/+ Income taxes paid	-38,504	-47,244
= Cash flow from operating activities	129,139	206,359
- Payments to acquire (-) intangible fixed assets	-5	-56
+ Proceeds from disposal of property, plant and equipment	4,553	7
- Payments to acquire (-) property, plant and equipment	-16,327	-13,926
+ Proceeds from disposal of long-term financial assets	10	54
+ Interest received	2,679	26
+ Dividends received	6,509	7,075
= Cash flow from investing activities	-2,581	-6,820
- Interest paid	-366	-76
= Cash flow from financing activities	-366	-76
Net change in cash funds	126,192	199,463
+ Cash funds at the beginning of the period	160,756	-38,707
= Cash funds at the end of the period	286,948	160,756

The financial position of the Company is characterised by a high self-financing power due to the cash flow from operating activities. In this context, depreciation and additions to provisions in particular promote the operative self-financing capacity. Compared to the prior year, the cash flow from operating activities primarily reduced on account of the increased working capital as well as lower self-financing effects from the provisions.

As in the prior year, the cash flow from investing activities was fully financed by the cash flow from operating activities in the reporting year. The investments mainly relate to the various operating units of our plant as well as to operating and business equipment.

In the reporting year, the cash flow from financing activities relates to interest expense for the use of the intragroup credit line of the Group's clearing account as part of the cash funds.

The cash funds consist of bank balances (kEUR 5,993) and balances due on demand in the intercompany clearing account (kEUR 280,955) and amount to kEUR 286,948 as of the reporting date. They increased significantly (kEUR +126,192) in the reporting year, in particular due to the cash flow from operating activities.

In addition to financing through the robust cash flow from operating activities, the Company has an adequate credit line through Urenco Group. Urenco Group discloses undrawn bank facilities of mEUR 500.0, so that the solvency of Urenco Group is secured.

Given the external ratings performed by the agencies Moody's (Baa1/Stable) and Standard & Poor's (BBB+/Stable/NR) in 2021, Urenco Group with its uranium enrichment plant resident in Gronau continues to be rated as average good investment.

The presented financial position of the Company is assessed as very positively.

c. Financial performance

The following statement of profit and loss in staggered form shows the key earnings figures according to German Commercial Code (HGB).

	2022		2021		Changes	
	kEUR	%	kEUR	%	kEUR	%
Sales revenues	407,671	85.6	479,895	112.9	-72,224	-15.0
Change in inventories	93,727	18.6	-57,030	-13.4	150,757	<-100.0
Other own work capitalised	2,591	0.5	2,024	0.5	567	28.0
Total performance	503,989	100.0	424,889	100.0	79,100	18.6
Other operating income	95,582	20.1	49,596	11.7	45,986	92.7
Cost of materials	170,756	33.9	136,401	32.1	34,355	25.2
Personnel expenses	32,838	6.9	31,115	7.3	1,723	5.5
Depreciation on fixed assets	47,329	9.9	63,666	15.0	-16,337	-25.7
Other taxes	172	0.0	251	0.1	-79	-31.5
Sundry expenses	249,562	52.4	239,496	56.4	10,066	4.2
OPERATIONAL EXPENSE	405,075	80.4	421,333	99.2	-16,258	-3.9
OPERATING PROFIT OR LOSS	98,914	19.6	3,556	0.8	95,358	>100.0
Financial result	-2,294	-0.5	-1,097	-0.3	-1,197	>100.0
Income taxes	-40,811	-8.1	-10,172	-2.4	-30,639	>100.0
Profit/loss for the period	55,809	11.1	-7,713	-1.8	63,522	<-100.0
Operating profit/EBIT	98,914	19.6	3,556	0.8	95,358	>100.0
Depreciation on fixed assets	47,329	9.4	63,666	15.0	-16,337	-25.7
EBITDA	146,243	29.0	67,222	15.8	79,021	>100.0

The decrease in revenue (down by kEUR 72,224) mostly results from lower intragroup sales of separation work services (down by 70,505) compared to the prior year. The income from separation work services with external customers slightly rose by kEUR 1,310 due to volumes and prices. The income from the sale of natural uranium equivalents in form of UF6 materially declined (down by kEUR 34,204), while in particular the sale of natural uranium equivalents in form of U3O8 showed a significant increase (up by kEUR 27,716). In addition, also the income from conversion services strongly rose by kEUR 2,399 when compared to the prior year.

The increase in inventories primarily relates to increased separation work services (up by kEUR 92,408).

Other operating income rose significantly compared to the prior year (kEUR +45,986), which is due to higher proceeds from the reversal of provisions.

The increase in cost of materials (up by kEUR 34,355) is notably due to higher purchases and uses of natural uranium in the form of U3O8. The energy costs as most important production factor declined in the reporting year, amongst others caused by the successful procurement strategy as well as by the lapse of the EEG levy as of 1 July 2022 (down by kEUR 4,798). In addition, the purchased services and here in particular those purchased from the Group, slightly reduced (down by kEUR 2,550).

Personnel expenses increased slightly in the financial year (kEUR +1,723). This increase was due to higher wages. Furthermore, a voluntary inflation compensation bonus in terms of Sec. 3 no. 11c German Income Tax Act (EStG) was paid to the employees.

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment of kEUR 47,329 declined when compared to the prior year (down by kEUR 16,337), being primarily due to expiring depreciations on technical equipment and machinery.

Analogue to the prior year, the sundry expenses showed a moderate increase of kEUR 10,066. The increased addition to the provision for commitments from the disposal of depleted uranium (up by kEUR 30,480), increased cost transfers from expenses for currency hedges used for hedging exchange rate fluctuations including exchange losses (realised and unrealised) by the parent company (up by kEUR 14,978) as well as increased proportionate Group costs (up by kEUR 8,269) is matched by lower additions to the provision for commitments from the discontinuation and removal of asset parts (down by kEUR 36,133) as well as to the provision for proportionate group-wide commitments for scrapping of containers (down by kEUR 12,536).

The operating profit (EBIT) clearly increased by kEUR 95,358 compared to the prior year, driven by the increased operating income at only slightly increased operating expenses as well as by increased other operating income.

Financial result

The negative financial result of kEUR -2,294 (prior year: kEUR -1,097) considerably deteriorated in the reporting year. Material driver here are increased interest expenses (up by kEUR 2,435), which in particular results from interest according to Sec. 233a AO from the government tax audit for the years 2013 to 2016 that was completed in the financial year 2022.

Income taxes

The taxes on income in the current financial years for prior years primarily result from an adjustment of the provision for the commitment from the disposal of depleted uranium within the tax base as result of the government tax audit 2013 to 2016 that was completed in the financial year 2022.

Profit for the year

The profit for the year 2022 amounts to kEUR 55,809 (prior year: loss for the year of kEUR 7,713).

In line with the annual financial statements, the EBITDA and EBIT showed a considerable increase.

4. Financial and non-financial performance indicators

In the reporting system of Urenco Group, URENCO Deutschland GmbH is managed in financial terms on the basis of the International Financial Reporting Standards (IFRS). This means that budgeting, forecasts and actual figures as well as all financial key figures (KPIs) are based on the management approach. Deviation analyses and internal and external benchmark analyses are performed on a regular basis.

Significant differences between IFRS and HGB include recognition and valuation of fixed assets, inventory valuation and the valuation of provisions. In addition, the application of IFRS 15 (revenue from contracts with customers) leads to different realisation dates for revenue and the application of IFRS 9 (financial instruments) to the recognition of unrealised exchange gains on foreign exchange forward transactions.

In the reporting year, revenue was slightly above the budget estimate, while there was a significant decrease compared to 2021. The decline when compared to the prior year results from one-time material intragroup sales of separation work services in 2021 and is thus not revenue-driven.

Revenue according to IFRS are derived as follows from the revenue under German commercial law:

	2022	2021
	kEUR	kEUR
Revenue under German Commercial Code (HGB)	407,671	479,895
Adjustment IFRS 15 (customer contracts)	-70,852	-83,857
Revenue under IFRS	336,819	396,038

In the reporting year, the operating costs (IFRS) were slightly below the budget approach, which is due, among other things, to lower energy costs based on the long-term procurement strategy. Compared to the prior year, the operating costs (IFRS) clearly declined for same reasons.

The operating costs under IFRS relate to all operating cost centres according to the following cost elements:

	Net personnel costs after deduction of capitalised own services
+	Energy costs
+	Maintenance costs and costs of materials
+	Security costs
+	Regulatory fees
+	External services and consultancy costs
+	Sundry costs
=	Operating costs (IFRS)

As regards the amount, there are no significant differences between the aforementioned cost elements under HGB and IFRS.

Depreciation, effects on profit and loss from the change in nuclear provisions and group costs are not included in the operating costs.

Profit after tax (IFRS) clearly exceeded the budget approach in 2022, while a slight decrease was recorded compared to 2021.

The capital expenditure on the investment is controlled by means of a CAPEX budget, which was slightly undershot in the reporting year, while a slight increase occurred compared to the prior year.

In addition, further non-financial performance indicators are used to control the Company. The most important indicator here is the achievement of 100% fulfilment of delivery obligations to our customers (in quality & on time), which was achieved in the reporting year. In addition, production output is another key figure that is used for control purposes. In the reporting year, production output was marginally below the budget estimate for 2022, while there was a slight decrease compared to the prior year. This is due to the natural reduction in capacity due to the successive failure of centrifuges that have reached the end of their technical use.

In addition, non-financial key figures such as e.g. the disease rate and the number of accidents at work are used to identify optimisations.

Finally, the energy consumption and the associated CO₂ emissions and waste volumes are permanently used to control and increase sustainability. We refer to the environmental statement published on our homepage.¹⁴

¹⁴ cf. https://www.urengo.com/cdn/uploads/supporting-files/Environmental_Statement_2022_URENCO_Deutschland_GmbH.pdf, data request: 30 January 2023

5. Overall statement on economic situation

The separation capacity of Urenco Group is about 17,900 t UTA/a (prior year: 18,100 t UTA/a), to which URENCO Deutschland GmbH contributes with a separation capacity of about 3,700 t UTA/a (prior year: 3,800 t UTA/a). Thus, we will be able to fulfil the demands of our customers and meet our supply commitments also in future.

Urenco Group remains a leading enrichment service provider for the worldwide nuclear industry. Here, the customers appreciate Urenco as independent, flexible provider of enrichment services as well as the ability of Urenco to be able to meet the long-term supply commitments at any time and at the satisfaction of its customers. To keep our market share and further hold our position as worldwide leading service provider for enrichment services, we concentrate on providing a continuous excellent customer service. Unique selling point of Urenco Group are four enrichment facilities in four different countries, which, on the one hand, is unique worldwide and, on the other hand, ensures diversity and security of supply.

We further cultivate our close and long-term relationships with all our customers. Our technology allows us to react flexible on the demands of our customers as well as on the dynamic of the market. We react on the lower price for separation work services by better using the natural uranium in addition to the existing enrichment services. Simultaneously and within the scope of our strategic reorientation, we will optimise the profitability of the operation of our enrichment facilities, maximise our flexibility and expand our service portfolio.

Urenco Group aims to serve its current customers in the best possible way, as before, to grow our business in new markets and to meet the fuel requirements of advanced reactors. Our own forecasts for the demand for enrichment services show that Urenco Group must start in the mid of this decade to replace a part of this capacity. The current capacity of the Urenco Group was based on the assumption of a more widespread use of nuclear energy than has occurred so far. Our future capacity will be appropriately sized for the future market. In terms of optimising our capacity, we are using our capacity to both produce enriched uranium and conserve the natural uranium resource.

The order backlog (orderbook) of Urenco Group reaches as far as end of 2030s with a value of about bEUR 10.8 based on an EUR/USD exchange rate of 1:1.07 (prior year: bEUR 8.7 on the basis of an exchange rate of EUR/USD of 1:1.14), assuring the visibility and financial stability of future income as well as a planning safety for capital investments.

Due to the energy crisis associated with the outbreak of the Ukraine war in February 2022, the demand for European enrichment services has increased significantly, resulting in significantly rising prices for enrichment services and is strategically reflected in a capacity expansion of the Urenco Group (longer use of centrifuges) compared to the previous business plan. Reference is made to the comments on the Ukraine war in the risk reporting.

Overall, we consider the economic situation of URENCO Deutschland GmbH to be positive and refer to our comments on the course of business, the net assets, financial position and financial performance as well as the financial and non-financial performance indicators.

Risk reporting

a. Risk management system

The elements of a functioning risk management have always played an important role at URENCO Deutschland GmbH. Management is continuously improving the risk management by taking additional measures.

The organisational measures taken for risk control are included in the operation manuals and the management system documentations. They relate, amongst others, to personnel organisation, radiation protection, security and access rules, occupational safety, emergency and breakdown management, environment, protection of confidential data and maintenance.

For measuring, controlling, analysing and monitoring possible risks, the Company uses comprehensive technical, organisational and commercial reports about the strategic and operative business for presentation to the decision-takers. Hence, all developments threatening the continued existence of the Company can be identified early. The extrapolation of clearly defined values allows the permanent comparison of actual and budget figures. The recording and presentation of risks allow taking early countermeasures.

b. Security & Safeguards

Each year, Urenco processes several thousand tons of uranium and operates its uranium enrichment plant with sensible centrifugal technology. We must thus assure the safety of the used uranium as well as of the used technology and assets. As globally operating enrichment service provider we focus on all safety areas, including the continuously growing cyber threats to ensure the safety of our plant, our capital investments, of the materials as well as of the technology. The option that uranium may fall into the hands of unauthorised persons is also a risk for an enrichment plant.

For reducing these risks, we comply with all national and international safety standards.

URENCO Deutschland GmbH is certified according to DIN EN ISO 9001, DIN EN ISO 14001 as well as DIN ISO/IEC 27001. The functionality of the management system was reviewed within the scope of a combined audit in June 2022 and the new certificates were issued.

Thanks to special security measures it is assured that:

- no uranium can be stolen
- the technology cannot be used by unauthorised persons and
- the technical design is not changed without control.

By means of technical, organisational and administrative measures it is assured that material of URENCO Deutschland GmbH is neither stolen nor used inappropriately. This is subject to national as well as to international supervision.

The Federal Ministry of Economic Affairs and Climate Protection (BMWK) monitors the use of the specially protected technology.

The Ministry of Economy, Innovation, Digitalisation and Energy (MWIKE) of the state of North Rhine-Westphalia is monitoring the current operation.

The Federal Ministry for Economy and Export Control (BAFA) is monitoring the compliance with foreign trade law and the rules on export control, including the therefore required approvals.

The International Atomic Energy Agency of the UNO (IAEA) and the European Atomic Energy Community (Euratom) continuously monitor the physical disposition, the enrichment degree, the uranium accounting and the use of the used uranium quantities. The safe handling and disposition of the used uranium are continuously supervised and confirmed by the supranational institutions within the scope of different inspections.

On this account, access to the plant and the production facilities is only allowed for a certain group of authorised persons and is strictly monitored.

URENCO Deutschland GmbH has implemented a safety management system (SMS) based on the memorandum "Ensuring an Appropriate Safety Culture" of the Reactor Safety Commission and the "Fundamentals for SMS" of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). To do this, we use powerful software for graphical modelling and database-supported control of processes.

Due to the implemented controls, systems and processes, we classify the residual risk with regard to the above-mentioned topics as extremely low.

c. Fiscal risks

In addition to the aforementioned risks, Urenco is exposed to various financial risks. The Board of Urenco Ltd. regularly monitors the policies issued for controlling these risks.

Development of the electricity costs

Electricity costs are a significant cost factor for URENCO Deutschland GmbH. Germany is currently characterised by strongly increased energy prices caused by the European energy crisis that broke out in course of the Ukraine war.¹⁵ We counter the procurement risk with a long-term purchasing strategy that diversifies the market price risk as much as possible. With regard to energy costs, levies and grid fees, we are trying to use the relief opportunities that the legislator has implemented to maintain the competitiveness of the economy. In addition, we are trying to further reduce our basic energy demand through energy-saving measures as well as to produce our own electricity in the future through photovoltaic systems. Our forecast electricity volumes are fully covered up to and including 2023 and around 70% covered up to 2028, so that the current turbulence on the electricity markets does not yet affect us.

We therefore classify the risk significance with regard to rising electricity costs as "medium".

¹⁵ Cf. BDEW Bundesverband der Energie- und Wasserwirtschaft e.V.-Electricity Price Analysis December 2022 from 8 December 2022

Risk of default of receivables

As regards the risk of default of receivables, Urenco is only entering into business relationships with solvent customers that are primarily further participants in the nuclear fuel cycle. It is the Group's policy that all customers wishing business on credit basis must run through an internal approval process. This internal approval process is based on a debtor assessment system similar to the systems used by external rating agencies. The customers are assigned certain credit lines based on the results of the debtor assessment system. Each month, the drawing of the credit by the customers is based on the assigned credit line. In the past, no payment default of a customer, assessed under this policy, was observed.

The risk of default of receivables is classified as "medium" risk.

Interest rate risk

Urenco Group is exposed to an interest rate risk on cash balances (deposit fee on demand deposits and year-end fee on the balance existing at the balance sheet date), which are subject to short-term variable interest rates. With regard to cash balances, so-called custody fees and penalty interest also represent a risk, which is countered with a short-term cash flow forecast. The long-term liabilities of Urenco Group for financing its business activity bear fixed interest and do thus not lead to any risks of changing interest rate for Urenco Group. Urenco Group manages its cash balances to protect against adverse changes in interest rates while maintaining liquidity to meet operating needs. Urenco Group's policy for managing interest rate risk is to hold a portion of its borrowings at fixed interest rates. Urenco Group enters into cross-currency interest rate swaps whereby it agrees to exchange, at specified intervals, the difference between the fixed rate and floating rate amounts calculated by reference to an agreed notional amount. These swaps are used to hedge the underlying debt obligations.

In addition, market interest rates influence the amount of URENCO Deutschland GmbH's long-term provisions, as the discount factors for determining the present value of obligations are based on these rates. At declining market interest rates, our provisions normally rise and at rising market interest rates they decline. We refer to our explanations under the net assets.

The risk of changing interest rates is classified as "medium" risk.

Currency risk

The enrichment market, on which Urenco operates is notably based on the USD, while the material operational costs incur in euro. Currency fluctuations of the USD in relation to the euro may thus affect the result of Urenco Group as well as of URENCO Deutschland GmbH. Within the scope of the central marketing and for hedging these currency risks, the parent company enters into hedges for all cash flows denominated in foreign currency from the operative business (in particular USD sales less USD costs), which are passed on to URENCO Deutschland GmbH on a proportionate basis. In the current and the following year, the net items are hedged at 80% at least, in the second year at 50% at least and in the third year at 20% at least by means of currency hedges.

The currency risk is classified as “medium” risk.

Liquidity risk

Urenco Group plans its financing and monitors the risk of a shortage of funds on a monthly basis using a forward planning model that takes into account the maturity of existing loan liabilities, planned investments and projected cash flows from operations. Urenco Group manages the liquidity risk through a combination of undrawn credit facilities and by refinancing debt before the maturity date. URENCO Deutschland GmbH as part of Urenco Group benefits from this control of the liquidity risk.

Urenco Group seeks to achieve flexibility and continuity in funding through the active use of a range of different instruments, markets and currencies. External debt financing is sought over a range of different maturities to avoid a concentration of maturities.

The liquidity risk is classified as “low” risk.

Tax risks

Like any entity, URENCO Deutschland GmbH is exposed to tax risks. These risks are generally addressed by integrating them into the tax compliance management system of Urenco Group. In addition, advance pricing agreements (APAs) are used to try to minimise the tax risks arising from international transfer prices as part of prior agreement procedures.

The tax situation, and in particular the effects of the interest on the Group loan, was the subject of a tax audit of the years 2013 to 2016, which has been ongoing since 2018 and was concluded in February 2022 and decided on in April 2022. The income adjustments required from the perspective of the tax audit amounted to approximately mEUR 56.2 and were set aside in the previous year for part of the risk in order to comply with the principle of prudence pursuant to Sec. 252 (1) no. 4 HGB. In the opinion of the management and the tax advisors, the income corrections determined by the tax audit are not based on a foundation that corresponds to reality, so that an appeal has been lodged against the notices issued. The management adheres to its previous argumentation and is confident that it will be able to successfully defend its own position in the further course of the requested mutual agreement procedure.

The tax risks are classified as “medium” risks.

In conclusion, the internal review of the current risk situation has shown that there are no facts that could endanger the continued existence of the Company.

d. Location-related risks

The Almelo contract provides the basic principles for a continuous and reliable operation of the European enrichment plants of Urenco Group and assures the long-term continuity and stability of our business operation. With notification dated 14 February 2005, URENCO Deutschland GmbH was granted the unrestricted approval for erecting and operating the uranium enrichment plant Gronau with a separation capacity of up to 4,500 t UTA/a by the then Ministry for Transport, Energy and Regional Planning of the state of North-Rhine Westphalia.

There have been repeated political initiatives in the past with the aim of closing the Gronau uranium enrichment plant, despite its relevance for the energy supply of the western world.¹⁶¹⁷¹⁸ These have not been successful and are, moreover, contrary to our legal view.

We are of the legal opinion that a phase-out of uranium enrichment and an associated closure of the Gronau uranium enrichment plant is unconstitutional, contrary to European and international law.¹⁹ Especially with the complete phase-out of nuclear power generation on 15 April 2023, Urenco's uranium enrichment plant in Gronau, as the only remaining nuclear facility besides the fuel element production in Lingen, has a considerable foreign policy significance as a technology company and as an advisor on nuclear law and export control issues. Closing the plant would cause considerable political upheaval with regard to existing state contracts and ongoing supply obligations.

In addition to the legal assessment, we counter the site-related risk with an information policy that has been transparent to all our stakeholders for years and a trusting communication and cooperation with our responsible supervisory authorities.

In addition, there is always the possibility to visit the uranium enrichment plant in Gronau and see for yourself the highest safety, quality and environmental standards.

We currently classify the site-related risks as "low", especially on the basis of the current geopolitical developments.

¹⁶ Cf. Bundestag Election Programme 2021 BÜNDNIS 90/DIE GRÜNE, p. 28

¹⁷ Cf. Coalition Agreement 2021 - 2025 between the Social Democratic Party of Germany (SPD), BÜNDNIS 90/DIE GRÜNE and the Free Democrats (FDP).

¹⁸ Cf. German Bundestag, 19th legislative period, printed matter 19/2520

¹⁹ Cf. German Bundestag, Committee Printed Paper 19(16)96-C on the hearing on 17 October 2018.

e. Ukraine war

The response of Urenco on the breakdown of the supply chain in our sector due to the war in the Ukraine was quick and effective. ExCom initiated a project to ensure that the Urenco Group was able to implement significant operational changes at all our sites. Communication at all levels resulted in rapid operational changes and the ability to cope with the sudden increase in demand without major disruptions.

Within days of the invasion, the Urenco Group made the strategic decision to terminate contracts with a Russian supplier with immediate effect, while offering renewed support to our Ukrainian partners.

We have continued to ensure a consistent and secure supply of nuclear fuel to our global customers.

Since the invasion, we have been working closely with governments, industry organisations and humanitarian aid agencies to support Ukraine.

The disrupted supply chains and price increases that have occurred as a result of the war are being countered by early planning of required components and stockpiling of important spare parts.

With regard to rising energy costs, we refer in particular to the previous comments on the risks of electricity cost development, which is being countered with a long-term purchasing strategy and the use of potential relief. Due to a possible gas shortage, precautions have been taken to be able to completely dispense with gas in an emergency.

We currently classify the risks from the Ukraine war as “medium”.

6. Opportunity reporting and outlook

a. Global energy need

Assuring a reliable, economic and sustainable energy supply is one of the biggest challenges of the 21st century.

Starting from a base year of 2017, global primary energy consumption will increase by 27% by 2040, while global electricity demand will increase substantially by 59%. The complete decarbonisation of the German chemical industry alone will double Germany's electricity demand.²⁰ Electricity demand will increase significantly, especially due to developing and emerging countries and the use of electricity as a means of decarbonisation in the transport and heating/cooling sectors. Electromobility, for example, will lead to a substantial increase in electricity demand.²¹ The regions and countries with the highest growth rates in electricity demand are China, India, Southeast Asia, Africa and the Middle East. Nuclear power plays a major role as a base-load capable low-carbon power generation source in all of the regions mentioned.²²

With regard to the future global energy mix, nuclear energy and renewable energies will compensate for today's declining global share of coal, which is currently around 35%. Among the renewables, solar energy will make the largest contribution worldwide. In order for the future energy mix to represent a reliable and low-carbon energy supply, substantial investments in the expansion of renewable energies and in the electricity grids will be necessary in this and the next decade, because renewable energies are not base-load capable and therefore place high demands on the electricity grids, which will lead to rising grid fees. Nuclear power will play an important role in the future energy mix, especially because of its base load capability. Nuclear power also has the highest growth rates in emerging and developing countries up to 2030.²³

²⁰ Cf. VCI study: Roadmap 2050 Oct. 2019, p. 9 et seq.

²¹ Cf. Global Scenarios and Forecasts for Energy Supply in Comparison, April 2020, p. 4.

²² Cf. World Energy Outlook 2021, IEA, p. 219 f.

²³ Cf. World Energy Outlook 2021, IEA, p. 224 et seq.

The UN Climate Change Conference (COP 27) took place in Sharm asch-Schaich from 6 to 18 November 2022. In the final declaration of 21 November 2022, the following key points were adopted.

- Confirmation of limiting the increase in global average temperature to well below 2°C above pre-industrial levels; efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
- Confirm the intention to phase out coal, while there are currently no binding phase-out intentions for oil and gas.
- Establish a climate fund for poorer countries that are particularly affected by climate-induced natural disasters.²⁴

In particular, the fact that it was not possible to reach a binding agreement on a phase-out of oil and gas makes the achievement of the climate targets much more ambitious.

Achieving global net zero emissions by 2050, as in the Net Zero Emissions by 2050 case (NZE2050) in the IAE's Energy Outlook 2020, would require a number of additional measures over the next decade. For example, to achieve a 40% reduction in emissions by 2030, nearly 75% of global electricity generation in 2030 will need to come from low-emission sources such as renewables and nuclear (up from less than 40% in 2019), and more than 50% of cars sold globally in 2030 will need to be electric (up from 2.5% in 2019). Electrification, massive efficiency gains and behavioural change all have a role to play, as does accelerated innovation in a wide range of technologies, from hydrogen electrolyzers to small modular nuclear reactors.²⁵

In conclusion, new generation capacities are needed all over the world. On the one hand, to replace coal-fired power plants in particular, which are a major driver of CO₂ emissions, but also to meet the increased demand for electricity in many countries. This results in market opportunities for nuclear power and our enrichment technology.

²⁴ cf. <https://www.wiwo.de/politik/ausland/cop27-abschlusserklaerung-steht-das-sind-die-ergebnisse-der-un-klimakonferenz/28820866.html>, data request: 1 February 2022

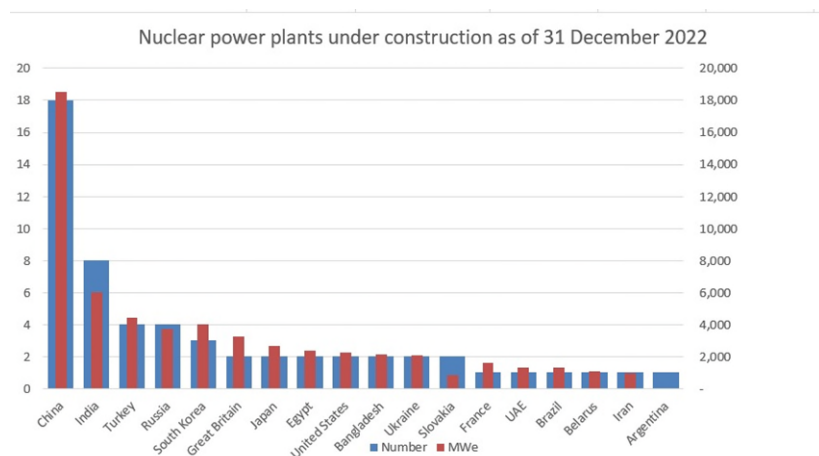
²⁵ Cf. World Energy Outlook 2022, IEA, p. 123 et seq.

b. Global market for nuclear energy and enrichment services

In the previous section, we already discussed the future increase in energy demand, which will have to be met with low carbon. Nuclear energy will play an important role worldwide, as can be seen in the IEA World Energy Outlook 2022. The critical distinguishing feature of nuclear energy from renewable energies is its high base load capability and reliability.²⁶

Nuclear power currently covers around 10% of global energy demand and is the second-largest low-carbon energy source after hydropower. In the future, the share of nuclear power in the global energy mix will increase, driven in particular by the so-called emerging and developing countries, including China. Nuclear energy is often used to replace coal-fired power plants. China will have the largest fleet of nuclear power plants from 2030. There alone, 18 nuclear power plants are currently under construction. In Europe and the USA, the share will decline slightly because older nuclear power plants will be taken off the grid.²⁷ However, it is not unlikely that more power plants will be planned in the future, because with the inclusion of nuclear power in the EU taxonomy on sustainable investments, the EU Commission has created the financial framework for projects to be financed more easily in the future and for nuclear power to make an important contribution to reducing CO₂ emissions. The effects of the current energy crisis have also led and will continue to lead to further projects for new nuclear power plants, such as the switch from coal to nuclear power being pushed in Poland.²⁸

Currently, 57 nuclear power plants with a capacity of 58,858 MWe are under construction worldwide and another 100 nuclear power plants with a capacity of 100,000 MWe are in concrete planning.²⁹



Source: <https://pris.iaea.org/PRIS/WorldStatistics/UnderConstructionReactorsByCountry.aspx>, data retrieval 15 February 2023

²⁶ Cf. World Nuclear Association response to the International Energy Agency's Net Zero by 2050 report, p.1 et seq.

²⁷ Cf. World Energy Outlook 2022, IEA, p. 233 et seq.

²⁸ cf. <https://www.euractiv.de/section/energie/news/eu-strommarktreform-polen-bricht-lanze-fuer-atomkraft/>

²⁹ cf. <https://world-nuclear.org/information-library/current-and-future-generation/plans-for-new-reactors-world-wide.aspx>, data request: 8 February 2023

The aforementioned capacities represent significant market opportunities for Urenco Group, which can generate future order intake and consequently sales revenues.

In addition to conventional power plants, new types of small reactors, so-called “Small Modular Reactors” (SMR), have the potential to make a significant contribution to meeting the world’s energy needs and, compared to larger nuclear power plants, offer the advantage of greater flexibility, which is an advantage that should not be underestimated, especially from the point of view of grid stability.

The nuclear power remains the first choice for the basic load in many countries worldwide. The national governments worldwide obliged to reduce the greenhouse gas emissions. They furthermore recognised that it is important to reduce the dependence on energy imports from other countries. Nuclear power is seen as important element of the energy mix by many since it is a reliable and clean source of energy generation, which in addition also provides a certain supply security.

We are positive that the market for nuclear energy will continue to grow in the coming years and that there will also be further positive signals in Europe regarding the expansion of capacities, as has already happened in France and the Netherlands, for example, in recent weeks.

As the largest economy in Europe, Germany is taking a special path with regard to the energy transition with the phase-out of nuclear energy and the accelerated phase-out of coal-fired power generation and has to master special challenges. Currently, no relevant industrialised country seems to be following this example.

Also in emerging countries, the access to clean, payable and CO₂-free energy may not be denied what requires a strong change in thinking of anti-nuclear activists, especially of “classic” environmental groups. That such a change in thinking is possible shows the Green Party in Finland, which is supporting the use of clean nuclear energy. This could be a model for a worldwide development.

Based on the future global energy demand for low-carbon energy, the forecast development of the capacities of nuclear power plants and, last but not least, the current positive signals regarding the EU taxonomy as well as the new power plant projects in France and the Netherlands, among others, we expect a positive development of the market for uranium enrichment. We are positive that the recovery of the market price of the last 3 years will therefore continue in the coming years.

As Urenco Group, we are convinced that nuclear energy will continue to be needed in the future as a low-carbon global energy source to meet future energy needs as well as to address the climate crisis.

c. Outlook

Our corporate planning for 2023 has been approved by the Executive Committee and the Board of our parent company Urenco Ltd. in November 2022. A roll forward was not necessary until today.

Our production output in 2023 will be marginally below the level of the year 2022. The natural decline in capacities due to the end of the technical service life is offset by investments in the replacement of centrifuges, which will lead to a compensating increase in capacities. In addition, further investments in the replacement of centrifuges are planned for the coming years (2024 and later) as well as the initial installation of centrifuges, which will (partially) compensate for the natural capacity decline.

Revenues in 2023 will be significantly above the high level of 2022, which is mainly due to significantly higher sales of natural uranium equivalents in the form of UF₆ compared to the prior year. In addition, the sales revenues for separation work are slightly above the level of the reporting year in terms of volume and price.

IFRS operating costs and operating costs per kg UTA are expected to be slightly higher in 2023 compared to 2022.

Profit after tax (net profit) according to IFRS in the 2023 budget is around 22% above the net profit of 2022.

The planned investments (CAPEX) in the site are clearly above the level of the investments of the current reporting year in the 2023 budget.

Finally, we naturally expect to fulfil 100% of our delivery obligations on-time and on-quality again in 2023.

Gronau/Germany, 28 April 2023

URENCO Deutschland GmbH

Dr Jörg Harren

URENCO Deutschland GmbH, Gronau/Germany

Balance sheet as at 31 December 2022

Assets	cf. Notes	EUR		31 Dec. 2021	Equity and Liabilities	cf. Notes	EUR		31 Dec. 2021
				EUR					EUR
A. Fixed assets	(1)				A. Equity				
I. Intangible fixed assets					I. Subscribed capital		56,250,000.00		56,250,000.00
Purchased concessions, industrial rights and similar rights and assets as well as licenses in such rights and assets			3,217,143.08	5,377,495.39	II. Capital reserves		12,443,450.58		12,443,450.58
II. Property, plant and equipment					III. Retained profits brought forward		80,770,111.20		88,483,037.08
1. Land and buildings		101,974,930.33		107,026,585.50	IV. Profit for the year (+) / loss for the year (-)		<u>55,809,331.86</u>		<u>-7,712,925.88</u>
2. Technical equipment and machinery		49,011,300.02		71,683,192.01				205,272,893.64	149,463,561.78
3. Other equipment, operating and office equipment		23,836,478.21		22,045,162.40	B. Provisions				
4. Prepayments made and assets under construction		<u>21,067,574.85</u>	195,890,283.41	<u>28,525,069.27</u>	1. Provisions for pensions	(6)	31,361,248.00		27,549,485.00
				229,280,009.18	2. Tax provisions		10,425,626.40		24,839,640.44
					3. Other provisions	(7)	<u>720,876,971.43</u>		<u>647,450,740.62</u>
								762,663,845.83	699,839,866.06
III. Long-term financial assets	(2)				C. Liabilities	(8)			
1. Shares in affiliated companies		1.00		1.00	1. Payments received on account of orders		23,698,630.66		20,272,677.67
2. Other loans		<u>103,200.00</u>		<u>112,800.00</u>	2. Trade payables		2,402,591.17		2,332,895.23
			103,201.00	112,801.00	3. Liabilities to affiliated companies		25,208.19		950,732.25
			<u>199,210,627.49</u>	<u>234,770,305.57</u>	4. Other liabilities		<u>38,870,979.09</u>		<u>8,558,866.10</u>
B. Current assets								64,997,409.11	32,115,171.25
I. Inventories									
1. Raw materials, consumables and supplies		6,073,653.93		5,858,103.55					
2. finished goods and merchandise		<u>405,112,809.25</u>	411,186,463.18	<u>311,385,525.26</u>					
				317,243,628.81					
II. Receivables and other current assets	(3)								
1. Trade receivables		34,737,391.49		59,040,875.57					
2. Receivables from affiliated companies		286,133,329.62		160,811,890.75					
3. Other assets		<u>24,819,636.30</u>	345,690,357.41	<u>25,029,556.53</u>					
				244,882,322.85					
III. Cash-in-hand and bank balances			5,993,133.28	444,727.13					
			<u>762,869,953.87</u>	<u>562,570,678.79</u>					
C. Prepaid expenses			104,297.22	95,770.73					
D. Deferred tax assets	(4)		70,749,270.00	83,981,844.00					
			<u>1,032,934,148.58</u>	<u>881,418,599.09</u>				<u>1,032,934,148.58</u>	<u>881,418,599.09</u>

URENCO Deutschland GmbH, Gronau/Germany

Statement of profit and loss for the financial year 2022

	cf. Notes	2021	
		EUR	EUR
1. Revenue	(13)	407,670,519.49	479,894,603.46
2. Increase or decrease in finished goods inventories		93,727,283.99	-57,030,155.47
3. Other own work capitalised	(14)	2,590,646.76	2,024,184.58
4. Other operating income	(15)	95,581,937.06	49,595,857.93
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise		145,330,633.53	103,404,471.31
b) Cost of purchased services		<u>25,425,305.49</u>	<u>32,817,730.93</u>
6. Personnel expenses	(16)	170,755,939.02	136,222,202.24
a) Wages and salaries		24,690,920.16	25,017,109.27
b) Social security, post-employment costs and other employee benefit costs		<u>8,147,366.07</u>	<u>6,097,622.72</u>
		32,838,286.23	31,114,731.99
7. Amortisation of and write-downs on intangible fixed assets and on property, plant and equipment	(1)	47,328,682.17	63,665,524.46
8. Other operating expenses	(17)	249,561,251.24	239,675,756.76
9. Income from long-term equity investments	(18)	6,509,000.00	7,075,000.00
10. Other interest and similar income	(19)	2,679,497.68	385,304.05
11. Interest and similar expenses	(20)	11,482,131.75	8,556,662.73
12. Taxes on income	(21)	<u>40,810,841.39</u>	<u>10,171,562.92</u>
13. Earnings after taxes		55,981,753.18	-7,461,646.55
14. Other taxes		<u>172,421.32</u>	<u>251,279.33</u>
15. Profit for the year (+) / loss for the year (-)		<u><u>55,809,331.86</u></u>	<u><u>-7,712,925.88</u></u>

URENCO Deutschland GmbH, Gronau/Germany

Notes to the financial statements for the financial year 2022

General information

URENCO Deutschland GmbH, resident in Gronau/Germany, is entered in the commercial register of Coesfeld, Germany under HRB 9576.

The annual financial statements on hand were prepared in compliance with Sec. 242 et seq. and Sec. 264 et seq. German Commercial Code (HGB) as well as in compliance with the relevant provisions of the German Law on Limited Liability Companies (GmbHG). The provisions applicable for large business corporations apply.

The statement of profit and loss is prepared in accordance with the nature of expense method (Sec. 275 (2) HGB).

For improving the clarity of the presentation, we provided information on co-belonging to other items and the "thereof" information within these notes.

Measurement and recognition policies

The following recognition and measurement policies were relevant when preparing the annual financial statements:

The acquired **intangible fixed assets** are measured at acquisition cost less, if depreciable, straight-line amortisation over the respective useful life of the assets of three to 15 years.

The **property, plant and equipment** are measured at acquisition or production cost less, if depreciable, straight-line depreciation. The production cost of self-developed assets does not only include the direct costs but also proportionate portions of overheads and depreciation that is due to production.

Property, plant and equipment are depreciated pro rata temporis over the respective useful life of the individual assets that is as follows:

Buildings	33 1/3 years
Grounds	19 years
Technical equipment and machinery	12 to 15 years
Other equipment, operating and office equipment	8 to 14 years
Computer equipment	3 to 7 years

Low-value items with a net single value of up to EUR 250.00 are fully recognised as expense in the year of addition. Low-value items with a net single value of more than EUR 250.00 and up to EUR 800.00 are fully recognised as expense in the year of addition since the financial year 2022. For assets with a net single value between EUR 250.00 and EUR 1,000.00, which were acquired after 31 December 2007 and before 31 December 2021, the collection item to be set up each year was taken over to the commercial balance sheet for simplification reasons. The additions to the annually set up collection items, the amounts of whose are of minor significance, are depreciated on a lump-sum basis with 20% in the year of addition and in the four following years. The depreciations on additions to the property, plant and equipment are principally made pro rata temporis.

The **long-term financial assets** include the shares in affiliated companies measured at acquisition cost or at lower fair values as well as other loans principally measured at nominal value. The option in case of a lasting impairment in value is not exercised

Inventories are measured at acquisition and production costs in compliance with the strict lower-of-cost-or-market principle in accordance with Sec. 253 (4) HGB.

The **raw materials, consumables and supplies** are principally capitalised at average cost prices or at lower daily prices on balance sheet date.

The **finished goods and merchandise** are measured at acquisition or production cost, whereby not only the direct costs are considered but also the indirect cost of materials and production overheads as well as the depreciation on fixed assets. Adequate expenses for social services of the firm, for voluntarily paid social benefits and for the Company's pension scheme are capitalised in accordance with Sec. 255 (2) sentence 3 HGB.

Receivables and other current assets are principally measured at nominal value.

Expenses or income that represent expenses or income after the reporting date are recognised as **pre-paid expenses or deferred income**.

For determining **deferred taxes** on account of temporary or quasi-permanent differences between the values recognised for assets, liabilities and accrued items under commercial law and tax law or on account of tax losses carried forward, the amounts of the arising tax burdens and tax reliefs are measured at the corporate-specific tax rate at the date of reversal of these differences and are not discounted. Deferred tax asset and liabilities are not disclosed in a netted manner. The thus arising, overall tax relief is recognised under exercising the respective recognition option under Sec. 274 (1) sentence 2 HGB as **deferred tax assets** within the balance sheet.

The **provisions for pensions** are determined under using the projected unit credit method (PUC method) based on the 2018 G Standard Tables of Prof. Dr Klaus Heubeck. For the discounting, the Company generally used the average market interest rate at a residual term of 15 years of 1.78% (forecasting method based on the data of the German Central Bank; as of 31 December 2022) in accordance with the RückAbzinsV from 18 November 2009. The computation interest rate of 1.78% is based on the ten-year average in accordance with Sec. 253 (2) sentence 1 HGB in the version changed due to the Directive on Credit Agreements for Consumers Relating to Residential Immovable Property and Amending Directives from 11 March 2016. The computation interest rate on the basis of the 7-year average for determining the difference in accordance with Sec. 253 (6) HGB amounts to 1.44%. Expected salary rises were considered with 3.00%, pension adjustments with 2.00% and the employee turnover with 1.00 %.

The tax provisions and other provisions take into account all uncertain liabilities and potential losses from pending transactions. They are recognised at settlement amounts (i.e. including future cost and price rises) based on sound business judgement. The cost and price rises were determined on the basis of future inflation expectations and/or available cost estimations. Provisions with a residual term of more than one year were discounted with the average market interest rate of the past seven years (computation interest rate) corresponding to their residual term. The commitments arising from long-service awards are discounted with the average market interest rate (1.44%) that arises when assuming a residual term of 15 years.

The distribution period of the provision for the **obligations from the decommissioning and disposal of plant components** as well as the **provision for the (pro rata) costs for container scrapping** was correspondingly extended in the reporting year due to the strategic reorientation of the Urenco Group and the associated extended use of the underlying assets. This has led to a reduction of the respective provision and thus to a pro rata release of both provisions in accordance with IDW RS HFA 34 margin note 20. Reference is made to the further statements in note (7) and note (15).

Liabilities are recognised at settlement value.

Assets and liabilities denominated in foreign currencies are translated at the rate in effect on the date of addition as well as at the middle spot rate in effect on reporting date. Like in the prior year, all assets and liabilities denominated in foreign currencies have a residual term of up to one year and Sec. 253 (1) sentence 1 HGB and Sec. 252 (1) no. 4 clause 2 HGB do not apply.

Notes to the balance sheet

(1) Fixed assets

The movements in fixed assets are presented in line with the classification required by Sec. 284 (3) HGB within the statement of movements in fixed assets.

(2) Long-term financial assets

The composition of the shareholdings is presented in the following overview "Shareholdings".

List of shareholdings

Name and location	Currency	Investment %	Equity in kEUR	Result of the last financial year in kEUR
Enrichment Technology Company Ltd., Capenhurst/UK	EUR	28.3	90,780 ¹⁾	10,683 ¹⁾

¹⁾ The information refers to the financial year 2021.

(3) Receivables and other current assets

Like in the prior year, the trade receivables are all due within one year.

Like in the prior year, the receivables from affiliated companies are all due within one year and are composed as follows:

	31 December 2022 kEUR	31 December 2021 kEUR
Clearing of the internal and external cash inflows and cash outflows	281,961	160,311
Prepayments made in trade	1,417	501
Creditors with debit balance due to credit note	2,755	0
	<u>286,133</u>	<u>160,812</u>

The other assets include assets with a residual term of more than one year of kEUR 921 (prior year: kEUR 1,226).

Like in the prior year, the receivables and other current assets do not include any receivables from shareholders.

The other current assets can be analysed as follows:

	31 December 2022	31 December 2021
	<u>kEUR</u>	<u>kEUR</u>
Receivables from		
(input) VAT	4,868	572
Income taxes	18,487	21,975
Interest according to Sec. 233a AO	0	28
Energy tax	541	1,143
Prepayments made for commissions	921	1,226
Sundry	<u>3</u>	<u>86</u>
	<u>24,820</u>	<u>25,030</u>

The income tax receivables of kEUR 5,272 reported under other assets are accrued and legally arise in the sense of Sec. 268 (4) sentence 2 HGB by assessment only after the balance sheet date.

(4) Deferred tax assets

Deferred tax assets are disclosed. The deferred tax assets result from the following facts:

	31 December 2022	31 December 2021
	<u>kEUR</u>	<u>kEUR</u>
Deferred tax assets on differences		
for values recognised in the balance sheet for		
Land	249	249
Technical equipment and machinery	87	103
Prepaid expenses	6	6
Provisions for pensions	4,962	3,961
Other provisions	86,487	105,826
Sundry liabilities	<u>642</u>	<u>144</u>
	<u>92,433</u>	<u>110,289</u>
Netting with deferred tax liabilities on		
differences for values recognised in the balance sheet for		
finished goods and merchandise	<u>-21,684</u>	<u>-26,307</u>
Deferred tax assets, net	<u>70,749</u>	<u>83,982</u>

The computation was based on a tax rate of 30.42% (prior year: 30.42%).

According to Sec. 274 (1) sentence 2 HGB, deferred tax assets are recognised in the balance sheet.

(5) Payout block

A payout block arises from the difference in accordance with Sec. 253 (6) HGB as well as from capitalisations in accordance with Sec. 268 (8) HGB:

	31 December 2022	31 December 2021
	<u>kEUR</u>	<u>kEUR</u>
Provisions for pensions		
Difference in acc. with Sec. 253 (6) HGB	1,718	2,385
Capitalisation of deferred taxes	<u>70,749</u>	<u>83,982</u>
	<u><u>72,467</u></u>	<u><u>86,367</u></u>

(6) Provisions for pensions

The difference between the pension provision determined based on the average market interest rate of the past ten years and the recognition of the pension provision based on the respective average market interest rate of the past seven years is as follows:

	31 December 2022	31 December 2021
	<u>kEUR</u>	<u>kEUR</u>
Provision for pensions		
10-year average computation	31,361	27,549
Provision for pensions		
7-year average computation	<u>33,079</u>	<u>29,934</u>
Difference	<u><u>-1,718</u></u>	<u><u>-2,385</u></u>

(7) Other provisions

Other provisions with a residual term of more than one year were discounted with the average market interest rate of the past seven financial years (computation interest rate) corresponding to their residual term.

The other provisions can be analysed as follows:

	31 December 2022	31 December 2021
	kEUR	kEUR
Commitments from the waste disposal of depleted uranium	469,830	341,729
Commitments from long-service awards	1,637	1,426
Commitments from the closure and waste disposal of plant components	153,519	173,899
Proportionate costs for container scrapping	39,771	74,097
Subsequent invoices and other performance obligations	27,830	33,742
Proportionate group costs	1,386	2,730
Impending losses from pending transactions (derivative financial instruments)	24,458	16,700
Pension provisions (e.g. vacation, flexitime, profit participation etc.)	2,446	3,128
	<u>720,877</u>	<u>647,451</u>

The provisions for proportionate group cost (kEUR 1,386; prior year: kEUR 2,730) constitute commitments towards affiliated companies. The item "Subsequent invoices and other performance obligations" include commitments towards affiliated companies of kEUR 178 (prior year: kEUR 178).

(8) Liabilities

The residual terms and the collateralisation of the liabilities are presented in detail within the "statement of liabilities".

Like in the prior year, the accounts payable do not include any liabilities to shareholders.

The liabilities to affiliated companies include liabilities from current clearing accounts of kEUR 25 (prior year: kEUR 951).

Other liabilities of kEUR 496 (prior year: kEUR 387) relate to taxes and of kEUR 47 (prior year: kEUR 47) to social security.

Statement of changes in liabilities

	31 December 2022			Total kEUR
	Up to one year kEUR	More than one year kEUR	More than five years kEUR	
1. Payments received on account of orders	21,927	1,771	0	23,698 ¹⁾
2. Trade Payables	2,403	0	0	2,403 ¹⁾
3. Liabilities to affiliated companies	25	0	0	25 ¹⁾
4. Sundry liabilities	38,736	135	0	38,871 ¹⁾
	<u>63,091</u>	<u>1,906</u>	<u>0</u>	<u>64,997</u>

	31 December 2021			Total kEUR
	Up to one year kEUR	More than one year kEUR	More than five years kEUR	
1. Payments received on account of orders	15,648	4,625	0	20,273 ¹⁾
2. Trade Payables	2,333	0	0	2,333 ¹⁾
3. Liabilities to affiliated companies	950	0	0	950 ¹⁾
4. Sundry liabilities	8,288	271	0	8,559 ¹⁾
	<u>27,219</u>	<u>4,896</u>	<u>0</u>	<u>32,115</u>

Type of collateral

¹⁾ no collaterals

(9) Contingent liabilities

The Company discloses contingent liabilities from financing framework agreements closed with Urenco Group of bEUR 1.6 (prior year: bEUR 1.5). The purpose and advantage are the assurance of sufficient financing options for Urenco Group, notably for additional capital investments for maintaining the enrichment capacities what will be reflected in the revenue figures as well as for the fulfilment of waste management obligations. The risk is the use on part of the creditor in case the affiliated companies are not able to meet their commitments from the financing agreement. On account of the positive economic and financial situation of Urenco Group, URENCO Deutschland GmbH is not seeing any risk of drawing at present.

(10) Other financial commitments

Next to the contingent liabilities, the existing purchase commitment leads to future commitments for the operation (mEUR 30.1) and for the further strengthening of the enrichment plant and replacement investments (mEUR 6.1) of mEUR 36.2 in total. Of these commitments, an amount of mEUR 0.0 relates to affiliated companies.

Furthermore, a purchase commitment exists for entire Urenco Group as regards production plants and the therewith connected services (e.g. maintenance, repair). The share relating to URENCO Deutschland GmbH is principally measured on the basis of the replacement need of the Company and amounts to mEUR 35.0 as of the balance sheet date. These commitments fully relate to affiliated companies.

Further commitments that are important for assessing the financial situation are not on hand.

(11) Derivative financial instruments

Within the scope of central marketing, the parent company enters into exchange rate hedging transactions in the form of forward exchange contracts to hedge currency fluctuations. The thereof resulting income and expenses are passed on to URENCO Deutschland GmbH.

On balance sheet date, the Company discloses the following derivative financial instruments, which are used for hedging the risk of changing market prices denominated in foreign currency:

Type/category	Nominal volume kEUR	Fair value kEUR
Forward exchange dealings in USD	642,710	-24,458

The fair value principally corresponds to the market value of the derivative financial instruments. This is determined by means of generally accepted valuation methods; this in particular refers to the discounted cash flow method. The computation is made under considering, amongst others, current currency exchange rates.

The Company has set up a provision for impending losses from pending transactions in the amount of the fair value of kEUR 24,458 as of balance sheet date for not yet realised losses from currency hedges. This provision is disclosed under the other provisions.

Original financial instruments, which are summarised with the aforementioned derivative financial instruments in valuation units (micro hedges), are not on hand.

(12) Business with related parties

No material business was performed with related parties that were not at arm's length.

Notes to the statement of profit and loss

(13) Revenue

	2022		2021	
	mEUR	%	mEUR	%
Sales revenues				
- by service lines				
Enrichment services	<u>407.7</u>	<u>100.0</u>	<u>479.8</u>	<u>100.0</u>
- by regions				
Germany	1.9	0.5	3.9	0.8
Sundry EU countries	118.1	29.0	158.5	33.0
Third countries	<u>287.7</u>	<u>70.5</u>	<u>317.4</u>	<u>66.2</u>
	<u>407.7</u>	<u>100.0</u>	<u>479.8</u>	<u>100.0</u>

Like in the prior year, the revenue of the financial year 2022 has not comprised any income from other periods.

(14) Other own work capitalised

Disclosed under the fixed assets are capitalised expenses for internal services. The other own work capitalised is disclosed according to the net method. When using the net method, the externally procured materials and services are capitalised directly in form of acquisition cost on the respective asset accounts and do not affect the cost of materials or other operating expenses.

(15) Other operating income

The other operating income can be analysed as follows:

	2022	2021
	kEUR	kEUR
Income from release of provisions		
for uncertain liabilities	89,067	47,628
Income from currency translation/ exchange gains	2,008	1,966
Gain from disposal of fixed assets	0	2
Sundry	<u>4,507</u>	<u>0</u>
	<u>95,582</u>	<u>49,596</u>

The income from the release of provisions is matched by income from other periods. They mainly result from the extended distribution period of the **provision for obligations from the decommissioning and disposal of plant components** as well as the **provision for pro rata costs for container scrapping** (reference to the notes on accounting and valuation methods).

(16) Personnel expenses

The personnel expenses can be analysed as follows:

	2022	2021
	kEUR	kEUR
Wages and salaries	24,691	25,017
Social security	3,855	3,807
Post-employment costs	4,292	2,291
	<u>32,838</u>	<u>31,115</u>

(17) Other operating expenses

The other operating expenses can be analysed as follows:

	2022 kEUR	2021 kEUR
Loss from sale of fixed assets	0	2
Expenses for commitments from the waste disposal of depleted uranium	148,696	118,216
Legal and consultancy fees as well as services of third parties	4,228	4,749
Insurances	3,546	2,865
Maintenance costs	7,060	4,334
Surveillance costs as well as safety-related monitoring	4,276	3,788
Expenses for commitments from the closure and waste disposal of plant components	4,390	40,523
Proportionate group-wide commitments for scrapping of containers	4,251	16,787
Transfer of realised expenses from currency hedges for hedging fluctuations in exchange rates on part of the parent company	19,138	2,829
Additions to provisions for impending losses from pending financial instruments	7,758	9,965
Exchange losses/expenses from currency translation	2,069	1,193
Fee for commercial services of Urenco Enrichment Company Ltd.	12,308	12,830
Proportionate costs of Urenco Group	18,200	9,409
Sundry	13,641	12,186
	<u>249,561</u>	<u>239,676</u>

Provisions with a remaining term of more than one year, in particular the provisions for obligations from the disposal of depleted uranium, from the decommissioning and disposal of plant components and the Group-wide obligation to scrap containers, were discounted at the average market interest rate of the past seven financial years corresponding to their remaining term (computation interest rate). A declining discount rate leads to a higher present value of the obligation and thus to higher allocations to the provisions concerned, which are recognised in other operating expenses as in prior years.

The commercial services of URENCO Enrichment Company Ltd. comprise, amongst others, services in connection with marketing and sales, business intelligence, supply and production optimisation, logistics optimisation etc.

(18) Income from long-term equity investments

The income from other long-term equity investments fully relate to affiliated companies.

(19) Other interest and similar income

The other interest and similar income can be analysed as follows:

	2022 kEUR	2021 kEUR
Interest income from affiliated companies	1,006	26
Sundry	1,673	359
	<u>2,679</u>	<u>385</u>

The interest and similar income includes income from other periods of kEUR 1,673 (prior year: kEUR 0). Income from other periods relate to interest in accordance with Sec. 233a AO.

(20) Interest and similar expenses

The interest and similar expenses can be analysed as follows:

	2022 kEUR	2021 kEUR
Interest expenses to affiliated companies	341	76
Interest expense in accordance with Sec. 277 (5) sentence 1 HGB (accumulation of interest on provisions)	8,713	7,711
Sundry	2,428	770
	<u>11,482</u>	<u>8,557</u>

Interest and similar expenses include expenses from other periods of kEUR 2,404 (prior year: kEUR 432). The expenses from other periods relate to interest in accordance with Sec. 233a AO.

(21) Taxes on income

The taxes on income can be analysed as follows:

	2022 kEUR	2021 kEUR
	<u> </u>	<u> </u>
Taxes on income		
for the current financial year	32,482	26,500
for prior years	-4,904	11,266
Expense/income (-) from the change in accounted deferred taxes		
for the current financial year	-4,197	-27,594
for prior years	<u>17,430</u>	<u>0</u>
	<u><u>40,811</u></u>	<u><u>10,172</u></u>

The taxes on income in the current financial years for prior years primarily result from an adjustment of the provision for the commitment from the disposal of depleted uranium within the tax base as result of the government tax audit 2013 to 2016 that was completed in the financial year 2022.

(22) Appropriation of profits

Management proposes to carry forward onto new account the profit for the year totalling EUR 55,809. For the rest, we refer to the explanations on (5) payout block.

Other disclosures

Advisory board

The Company has an advisory board, consisting of the following Messieurs:

Christopher Chater, Chief Technology Officer of Urenco Ltd.,
Stoke Poges/UK
(Chairman)

David Eric Sexton, Chief Operating Officer of Urenco Ltd.,
Stoke Poges/GB
(Deputy Chairman)

The advisory board is not receiving any remuneration from URENCO Deutschland GmbH. The provisions of the German Stock Corporation Act applicable to a supervisory board or comparable regulations do not apply to the advisory board in accordance with the articles of association.

Management

Dr Jörg Harren, Marl/Germany, employed in full time as manager/managing director at URENCO Deutschland GmbH

Total remuneration paid to management

As regards the total remuneration paid to management, we refer to the protection clause of Sec. 286 (4) HGB.

Total remuneration of former members of management as well as pension commitments for this group of persons

The total remuneration paid to former members of management amounted to kEUR 57 in the financial year 2022. The provision set up for current and future pensions amounts to kEUR 1,303.

Employees

The average number of employees in the financial year amounted to:

	<u>Number</u>
Production	96.50
Technology	62.50
Supervision	38.25
Projects	15.25
Decommissioning	20.00
Logistics	20.50
Administration	<u>33.75</u>
	<u><u>286.75</u></u>

The managing director and 12.75 apprentices are not included in the annual average figure.

Group affiliation

Sole shareholder of URENCO Deutschland GmbH, Gronau/Germany is Urenco Enrichment Company Ltd., Stoke Poges/Great Britain.

URENCO Deutschland GmbH is included in the consolidated financial statements prepared by Urenco Ltd., Stoke Poges/Great Britain, as ultimate parent. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) for the largest and smallest group of consolidated entities. The consolidated financial statements are available at the British Companies House under company no. 01022786.

Audit and consultancy fees

The total fee billed by the annual auditor for provided audit services in the financial year amounts to kEUR 97.

Report on major post-balance-sheet-date events

There were no events of special importance after the end of the financial year that would have been affected the assets, liabilities, financial position and financial performance presented within the annual financial statements.

Gronau/Germany, 28 April 2023

URENCO Deutschland GmbH

Dr Jörg Harren

URENCO Deutschland GmbH, Gronau/Germany

Movements in fixed assets in the financial year 2022

	Acquisition and production costs				Accumulated depreciation, amortisation and write-downs				Book values		
	1 Jan. 2022 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec. 2022 EUR	1 Jan. 2022 EUR	Additions EUR	Disposals EUR	31 Dec. 2022 EUR	31 Dec. 2022 EUR	31 Dec. 2021 EUR
I. Intangible fixed assets											
Acquired concessions, industrial rights and similar rights and assets as well as licenses in such rights and assets	45,390,328.75	5,541.46	0.00	0.00	45,395,870.21	40,012,833.36	2,165,893.77	0.00	42,178,727.13	3,217,143.08	5,377,495.39
II. Property, plant and equipment											
1. Land and buildings	203,084,614.03	577,495.31	0.00	0.00	203,662,109.34	96,058,028.53	5,629,150.48	0.00	101,687,179.01	101,974,930.33	107,026,585.50
2. Technical equipment and machinery	1,239,316,406.84	960,082.34	0.00	10,680,917.59	1,250,957,406.77	1,167,633,214.83	34,312,891.92	0.00	1,201,946,106.75	49,011,300.02	71,683,192.01
3. Other equipment, operating and office equipment	83,563,942.53	5,977,804.43	6,843.35	1,034,257.89	90,569,161.50	61,518,780.13	5,220,746.00	6,842.84	66,732,683.29	23,836,478.21	22,045,162.40
4. Prepayments made and assets under construction	28,525,069.27	8,811,627.31	4,553,946.25	-11,715,175.48	21,067,574.85	0.00	0.00	0.00	0.00	21,067,574.85	28,525,069.27
	1,554,490,032.67	16,327,009.39	4,560,789.60	0.00	1,566,256,252.46	1,325,210,023.49	45,162,788.40	6,842.84	1,370,365,969.05	195,890,283.41	229,280,009.18
III. Long-term financial assets											
1. Shares in affiliated companies	19,672,274.82	0.00	0.00	0.00	19,672,274.82	19,672,273.82	0.00	0.00	19,672,273.82	1.00	1.00
2. Other loans	112,800.00	0.00	9,600.00	0.00	103,200.00	0.00	0.00	0.00	0.00	103,200.00	112,800.00
	19,785,074.82	0.00	9,600.00	0.00	19,775,474.82	19,672,273.82	0.00	0.00	19,672,273.82	103,201.00	112,801.00
	1,619,665,436.24	16,332,550.85	4,570,389.60	0.00	1,631,427,597.49	1,384,895,130.67	47,328,682.17	6,842.84	1,432,216,970.00	199,210,627.49	234,770,305.57

INDEPENDENT AUDITOR'S REPORT

To URENCO Deutschland GmbH, Gronau/Germany

Audit Opinions

We have audited the annual financial statements of URENCO Deutschland GmbH, Gronau/Germany, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of URENCO Deutschland GmbH, Gronau/Germany, for the financial year from 1 January to 31 December 2022.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 German Commercial Code (HGB) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual 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 annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (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 annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the 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 audit 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 controls.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- 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 Company'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 annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit 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 Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- obtain sufficient appropriate audit evidence regarding the financial information of the Company or its business activities to express audit opinions on the annual financial statements and on the management report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the 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 audit 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.

Düsseldorf/Germany, 28 April 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
(Andreas Bennewitz)
Wirtschaftsprüfer
(German Public Auditor)

Signed:
(Anne Schmitt-Blass)
Wirtschaftsprüferin
(German Public Auditor)

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.