

**Urenco Deutschland GmbH
Gronau/Germany**

“Testatsexemplar”

i.e. audited management report and
annual financial statements
for the financial year from
1 January to 31 December 2023
plus independent auditor’s report

TRANSLATION

– German version prevails –

Content

Management report and annual financial statements

Management report

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Independent Auditor's Report

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

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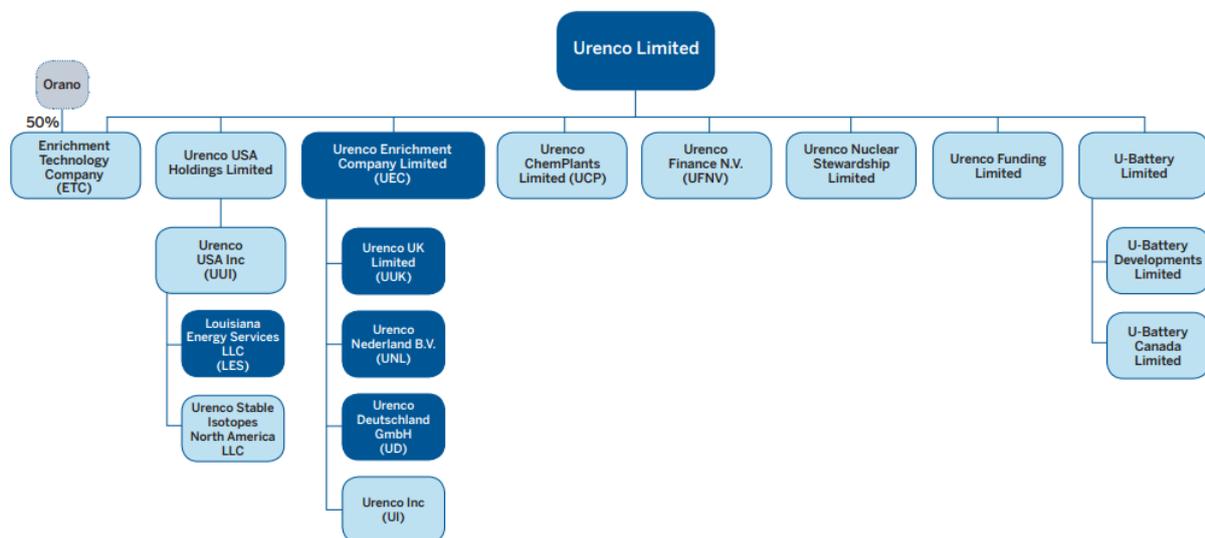
Urenco Deutschland GmbH, Gronau/Germany

Management report for the financial year 2023

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

Urenco Deutschland GmbH is a subsidiary 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 referred to as “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 carbon-low energy.

The Almelo contract (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 centrifugal technology used 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 Gronau uranium enrichment plant with a separation capacity of up to 4,500t 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 2.5% in 2023, meaning that the weak momentum from 2022 will continue. The economic consequences of the COVID-19 pandemic, such as the disruption of global supply chains and the resulting supply bottlenecks, have receded significantly. High inflation rates, which are primarily due to higher energy costs, negatively affect the global economy. The geopolitical situation remains tense due to the Russian war of aggression in Ukraine. The terrorist attack by Hamas on Israel on 7 October 2023 has further exacerbated geopolitical uncertainty. The risk of a bloc formation in the global economy has increased again, leading to a further restructuring of global value chains and a slowdown in international trade links.¹

Global economic growth is also expected to weaken in 2024 to 2.5% compared to 2023. 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 housing crisis in China are considered the greatest dangers.

According to initial estimates, the gross domestic product in the eurozone slightly increased by only 0.5% in 2023 compared to the prior year. The forecast for 2024 is higher at 1.3% compared to 2023, as consumer spending could recover due to further robust development on the labour markets, sustained wage growth and a continued slowdown in inflation.²

¹ See IW economic forecast: GDP shrinks by half a per cent in 2024, p. 15 et seq.

² Cf. BMWK: THE SITUATION OF GLOBAL ECONOMY AT THE END OF THE YEAR 2024 p. 35 et seq.

Germany's economic output fell by 0.3% year-on-year after adjusting for inflation. The largest economy in the eurozone is under pressure due to high energy prices and a weak global economic environment. Production output as well as private and government consumer spending are declining.³ Consumer prices in Germany increased by 5.9% in 2023 compared to the prior year, which is 1 percentage point below the prior year's inflation rate.⁴

Global market for nuclear energy and enrichment services

About 10% of the worldwide energy production is generated by 437 nuclear power plants with a capacity of about 393.3 GWe.⁵ The capacity installed at present can be analysed as follows when compared to the prior year:

	2023		2022		Change	
	MWe	Number	MWe	Number	MWe	Number
United States	95,835	93	94,718	92	1,117	1
France	61,370	56	61,370	56	0	0
China	53,286	55	52,170	55	1,116	0
Japan	31,679	33	24,431	25	7,248	8
Russia	27,727	37	27,727	37	0	0
South Korea	25,829	26	16,321	17	9,508	9
Canada	13,624	19	6,795	22	6,829	-3
Ukraine	13,107	15	13,624	19	-517	-4
Spain	7,123	7	13,107	15	-5,984	-8
Sweden	6,937	6	5,883	9	1,054	-3
India	6,795	22	7,121	7	-326	15
Great Britain	5,883	9	6,882	6	-999	3
Germany	0	0	4,055	3	-4,055	-3
Rest	43,844	59	44,110	59	-266	0
	393,039	437	378,314	422	14,725	15

³ Cf. https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/01/PD24_019_811.html, data retrieval: 31 January 2024

⁴ Cf. https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/01/PD24_020_611.html#:~:text=WIESBADEN%22%E2%80%93%20Die%20Verbraucherpreise%20in%20Deutschland,%2B6%2C9%20%25%20gelegen. Data retrieval: 31 January 2023

⁵ Cf. <https://www.grs.de/de/aktuelles/kernenergie-weltweit-2024#:~:text=2023%20sind%20insgesamt%20sechs%20neue,abgeschaltet%20waren%2C%20wieder%20hochgefahren%20worden.>, data retrieval 31 March 2024.

A total of 61 nuclear power plants is currently under construction; this corresponds to about 17% of the capacity installed at present. A further 113 nuclear power plants are currently planned, corresponding to about 28% of the capacity installed at present.⁶ The 437 nuclear power plants worldwide are operated in 31 countries, of which Urenco Group has customers in 19 countries. Germany phased out nuclear energy on 15 April 2023 and the remaining three nuclear power plants were taken off the grid.

After hydropower, nuclear energy is the world's second-largest low-carbon energy source. France covers about 62% of its energy need with nuclear power. In 2023, around 40% of global electricity generation was produced using low-carbon energy sources such as nuclear energy, which accounts for around 10% of the global energy supply.⁷

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 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.

At the World Climate Change Conference in Dubai/United Arab Emirates, almost all Western industrialised nations, with the exception of Germany, issued a joint declaration setting out the goal of tripling nuclear power capacity by 2050 in the interests of climate protection. They are joined by China and Russia, which also want to massively expand their capacity. This emphasises the importance of nuclear power in achieving climate targets alongside renewable energies.⁸ In this respect, demand for enrichment services is expected to increase significantly in the short, medium and long term.

The consequences of the energy crisis are also reflected in the market price recovery for separation work services. The market price was quoted at around USD 155/SWU [Separative Work Unit] at the end of 2022 and continued to increase in 2023 compared to the end of 2022 (USD 125/SWU). The market price for natural uranium equivalents in the form of UF₆ almost doubled to around USD 318/SWU in 2023.⁹

Overall, the situation on the global market for nuclear energy and enrichment services is very positive.

⁶ 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 retrieval: 2 February 2024

⁷ Cf. <https://lowcarbonpower.org/de/>: data retrieval: 2 February 2024

⁸ Cf. Handelsblatt, 3 December 2023, 22 countries will triple the nuclear energy

⁹ Cf. <https://www.uxc.com/p/prices/UxCPrices.aspx?currency=eur>, data retrieval: 26 January 2024

c. Strategy and values

i. Objective, vision, mission and values

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

Our target: 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.

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 of 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, amongst 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 the 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 by involving the works council.

- **Occupational safety specialists as well as safety officer**

Occupational safety specialists 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 occupational safety and health protection.

- **“Lockout, Tagout, Tryout”**

As early as in the financial year 2017, we have implemented a further process instruction “Lockout, Tagout, Tryout” to create a safe working environment even before the start of the working day.

- **“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 amongst our employees and third-party companies 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”**

In order to prevent possible sources of danger actually turning into work accidents, a system for accident prevention was established with the notification of so-called “near misses”. A “near miss” is a suddenly occurring, 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 lived daily 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. What ought to be mentioned in this context 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 things and work together.

One Urenco: Through active, transparent and respectful cooperation, we strengthen the team spirit and our performance, whereby everyone can contribute their 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 it 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 humankind is responsible for global warming. 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 gigatonnes CO₂¹⁰ – given annual emissions of 36 gigatonnes CO₂ per year, this residual budget will be used up in about a decade. The continued operation of the 437 existing nuclear power plants worldwide and the significant expansion of nuclear energy will have a major global impact on the achievement of climate targets.¹¹

For Urenco Deutschland GmbH, which enriches 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 the most effective way, protecting the environment and the climate without releasing our process medium uranium hexafluoride or other environment-affecting events.

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 as much as possible. Urenco Deutschland GmbH keeps the health, safety and environmental management system, the latter of which also includes an energy management system, on a high level and is improving it where appropriate. With continuous improvements, Urenco Deutschland GmbH is aiming to minimise to the extent possible the impacts of our activities on safety and health as well as to continuously improve our environmental performance.

Our plants are planned and designed in such a way that the requirements for a comprehensive environmental and resources protection are adhered to. The current operation of the plant is directed to minimise environmental impacts and the amount of waste, also below defined thresholds, and to reduce 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.

¹⁰ Cf. www.nature.com/articles/nclimate2572, data retrieval: 31 January 2024

¹¹ Cf. <https://www.faz.net/aktuell/politik/ausland/atomkraft-frankreich-und-die-usa-fordern-massive-investitionen-19356039.html>, data retrieval: 31 January 2024

With regard to 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 the highest possible safety and with a minimum impact on the environment. This has been proven by the continuous safe operation at the Gronau/Germany location. The energy efficiency and reliability of the centrifuges are so high that the technology sets a global benchmark.

Finally, it should be mentioned that Urenco Deutschland GmbH is currently planning a PV system with a nominal output of around 6 MW and a battery storage system with a capacity of 10 MWh in order to contribute to grid stability and demonstrate that renewable energies and nuclear energy are not mutually exclusive. In addition, the planned electricity procurement for the years 2024 to 2029 was made completely emission-free in the financial year through a corresponding agreement.

Eco-Management and Audit Scheme (EMAS)

Shortly after the Eco-Management and Audit Scheme (EMAS) came into force 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 the public. Furthermore, since 1997, we have reviewed the environment management system for 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 external auditors and environmental auditors. Beyond the legal minimum requirements, the environment management system assures continuous improvements of the environment protection and makes a contribution to saving resources.

Also in the 27th year in a row, we hold on to the EMAS-connected commitment to continuously improve our environmental performance. Compared to the prior year, the CO₂ emissions of Urenco Deutschland GmbH could be further reduced. 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.¹²

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.

¹² Cf. https://www.urencogroup.com/cdn/uploads/supporting-files/DE-156-00013_Umwelterkl%C3%A4rung_der_Urenco_Deutschland_GmbH_Berichtsjahr_2023.pdf, data retrieval: 7 February 2024

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 that complies with the requirements of the international standard DIN EN ISO 9001 and even exceeds those requirements by complying with the requirements under nuclear supervision law as well as with the provisions of the Nuclear Safety Standards Commission (KTA) 1401. The quality management system is 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.

DIN ISO/IEC 27001

In the financial year 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 initial 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 2022, again no deviations were observed.

The Information Security Manager (ISM) is appointed by the management as person in charge of the maintenance of an 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-orientated 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 consistently high standard.

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

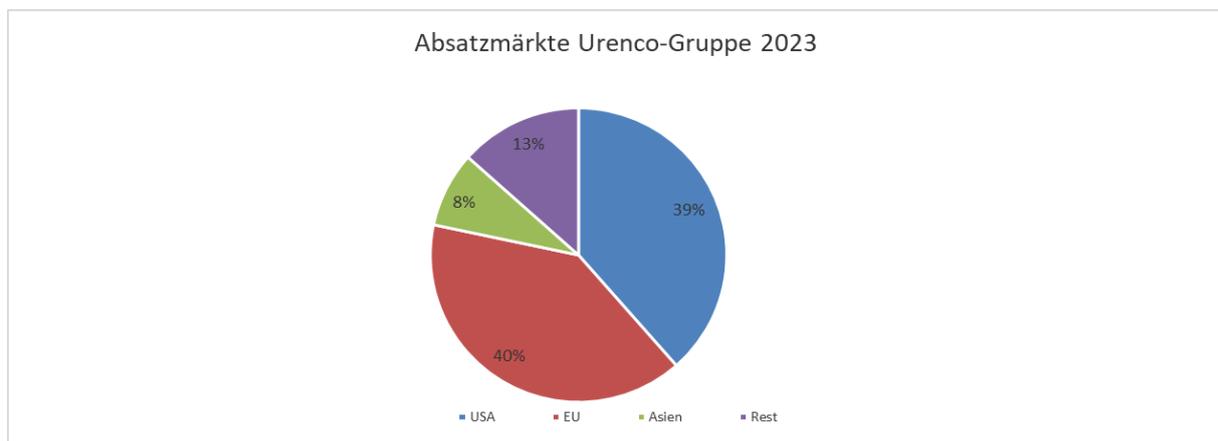
The annual financial statements of Urenco Deutschland GmbH for the year 2023 reflects a robust financial and operative performance.

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

In the 2023 financial year, all delivery and service obligations to our customers were fulfilled at 100%. The development is thus on a par with the prior year and corresponds to the budget value.

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 an enrichment company with registered office in Germany, Urenco Deutschland GmbH makes a material contribution to achieving the business targets of Urenco Group. Urenco Deutschland GmbH accounted for about 20% of total deliveries of the Group in 2023.

In 2023, the sales markets of Urenco Group were divided as follows in terms of revenue:



Overall, the main key performance indicators (KPIs) in 2023 correspond to the budget values and the management therefore considers the current business development to be positive.

Production output in the financial year was fully in line with the budget estimate for 2023 and was marginally below the prior year's figure (-0.9%), which is due to the natural decline in capacity.

Revenue in the financial year was significantly higher than the budget estimate (+7.6%) and the prior year's revenue (+23.3%). This is primarily due to increased sales of natural uranium equivalents in the form of UF₆.

The financial year's operating costs fell clearly (-6.2%) below the budget, caused primarily by lower energy costs. Operating costs increased significantly (+6.3%) compared to the prior year, which is attributable to higher personnel costs and the overall high level of inflation in Germany. Profit after tax clearly fell below the budget estimate in 2023 (-19.6%), while it slightly increased in comparison to 2022 (+2,7%).

In the financial year, the capital investments (CAPEX) slightly exceeded the budget (+6.5%). On the one hand, this was due to the number of projects but on the other hand also to budget deviations on account of price rises.

Reference is made to our reporting on the financial and non-financial performance indicators (IFRS) as well as to our reporting on the assets, liabilities, financial position and financial performance (German Commercial Code (HGB)).

3. Assets, liabilities, financial position and financial performance

a. Assets and liabilities

The following balance sheet shows the assets and liabilities under HGB as well as the fund origin by maturities.

	31 Dec. 2023		31 Dec. 2022		Changes	
	kEUR	%	kEUR	%	kEUR	%
Fixed assets	200,519	15.0	199,211	19.3	1,308	0.7
Inventories	481,272	36.0	411,186	39.8	70,086	17.0
Receivables	529,378	39.6	320,870	31.1	208,508	65.0
Cash and cash equivalents	51	0.0	5,993	0.6	-5,942	-99.1
Sundry assets	57,287	4.3	24,925	2.4	32,362	>100.0
Deferred taxes	67,261	5.1	70,749	6.8	-3,488	-4.9
ASSETS	1,335,768	100.0	1,032,934	100.0	302,834	29.3
Equity	246,302	18.4	205,273	19.9	41,029	20.0
Non-current liabilities	919,009	68.8	704,292	68.2	214,717	30.5
Current liabilities	170,457	12.8	123,369	11.9	47,088	38.2
CAPITAL	1,335,768	100.0	1,032,934	100.0	302,834	29.3

Assets

The marginal increase in fixed assets is mainly due to the fact that the amortisation of intangible assets and depreciation of property, plant and equipment of kEUR 24,548 is offset by investments of kEUR 27,610, which relate almost entirely to property, plant and equipment.

In the financial year, significant investments were made for the procurement of new transport containers (kEUR 4,724), the expansion of enrichment capacity (kEUR 2,755), the expansion of office workstations (kEUR 3,063), the construction of a new PV system with battery storage (kEUR 2,295) and for upgrading measures and necessary replacement investments (kEUR 14,733).

The separation work capacity is 3,600t UTA/a (prior year: 3,700t UTA/a) at the end of the financial year. The production in the financial year 2023 was about 3,500t UTA/a (prior year: about 3,500t UTA/a) and is in line with the budget.

The current operation of the plant ran according to plan. The plant was operated safely in the financial year 2023 and without any breakdowns. No plant-related radioactivity was measured in the exhaust air and the wastewater 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 (up by kEUR 70,086) is the result of higher inventories of separation work (up by kEUR 43,093) and natural uranium equivalents in the form of U3O8 (up by kEUR 18,527).

Receivables materially increased compared to the prior year's balance sheet date (up by kEUR +208,508), which is mainly due to the positive development of the group clearing account (up by kEUR +217,350). Reference is made to the further statements in chapter b. Financial position.

In addition to prepaid expenses, sundry assets include other current assets. The other current assets notably include income tax refund claims including interest on these claims in accordance with Sec. 233a German General Tax Code (AO). Advance payments for services and an input tax surplus are also recognised. Reference is made to the statements in note (3) within the notes to the financial statements.

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. Reference is made to the explanations on deferred tax assets within note (4) in the notes to the financial statements.

Capital

Equity increased by kEUR 41,029 to kEUR 246,302 due to the profit for the past financial year. A distribution restriction of kEUR 67,649 is disclosed as at 31 December 2023.

The long-term borrowing capital primarily comprises long-term pension provisions and personnel provisions, 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 214,717. This development primarily relates to the volume- and cost-related increase in provisions for commitments from the disposal of depleted uranium (up by kEUR +136,720). In addition, the provisions for the decommissioning obligation (kEUR +14,998) and the provision for the group-related costs for container scrapping increased (kEUR +4,704). In addition, non-current other liabilities increased by kEUR 64,453, which is attributable to non-cash loan agreements for natural uranium equivalents in the form of UF6 (kEUR +51,293) and for separation work (kEUR +13,295).

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 change in current liabilities (kEUR +47,088) is mainly due to sundry other provisions (kEUR +38,798) and current tax liabilities (kEUR +29,083).

Finally, Urenco Deutschland GmbH has an adequate equity ratio of 18% (prior year: about 20%) 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 German Accounting Standard (GAS) 21 provides an overview of the financial position of the Company.

	2023 kEUR	2022 kEUR
Profit for the year	41,029	55,809
+/- Amortisation, depreciation and write-downs/write-ups on fixed assets	24,548	47,329
+/- Increase/decrease in provisions	189,935	77,238
-/+ Increase/decrease in inventories, trade receivables as well as other assets that are not allocable to investing or financing activities	-90,606	-80,007
+/- Increase/decrease in trade payables as well as other liabilities that are not allocable to investing or financing activities	64,245	32,882
+/- Interest expenses/interest income	-13,018	90
- Other investment income	-5,660	-6,509
+/- Income tax expense/income tax income	13,181	40,811
-/+ Income taxes paid	-5,911	-38,504
= Cash flow from operating activities	217,743	129,139
- Payments to acquire intangible fixed assets	-74	-5
+ Proceeds from disposal of property, plant and equipment	1,745	4,553
- Payments to acquire property, plant and equipment	-27,536	-16,327
+ Proceeds from disposal of long-term financial assets	10	10
+ Interest received	13,414	2,679
+ Dividends received	5,660	6,509
= Cash flow from investing activities	-6,781	-2,581
- Interest paid	-396	-366
= Cash flow from financing activities	-396	-366
Net change in cash funds	210,566	126,192
+ Cash funds at the beginning of the period	286,948	160,756
= Cash funds at the end of the period	497,514	286,948

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, amortisation, 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 increased 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 financial year. The investments mainly relate to the various operating units of our plant as well as to operating and business equipment.

In the financial 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 51) and balances due on demand in the intercompany clearing account (kEUR 497,463) and amount to kEUR 497,514 as of the reporting date. They increased significantly (kEUR +210,566) in the financial 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 (A-/Strong) in the 2023 financial year, Urenco Group with its uranium enrichment plant in Gronau/Germany continues to be rated as an average good investment.

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

c. Financial performance

The following statement of profit and loss in staggered form shows the key earnings figures according to HGB.

	2023		2022		Changes	
	kEUR	%	kEUR	%	kEUR	%
Revenue	552,588	89.0	407,671	80.9	144,917	35.5
Change in inventories	64,650	10.4	93,727	18.6	-29,077	-31.0
Other own work capitalised	3,442	0.6	2,591	0.5	851	32.8
Total performance	620,680	100.0	503,989	100.0	116,691	23.2
Other operating income	44,243	7.1	95,582	19.0	-51,339	-53.7
Cost of materials	191,362	30.8	170,756	33.9	20,606	12.1
Personnel expenses	33,202	5.3	32,838	6.5	364	1.1
Depreciation on fixed assets	24,548	4.0	47,329	9.4	-22,781	-48.1
Other taxes	195	0.0	172	0.1	23	13.4
Other operating expenses	369,247	59.5	249,562	49.5	119,685	48.0
OPERATIONAL EXPENSE	574,311	92.5	405,075	80.4	169,236	41.8
OPERATING PROFIT OR LOSS	46,369	7.5	98,914	19.6	-52,545	-53.1
Financial result	7,841	1.3	-2,294	-0.4	10,135	>100.0
Income taxes	-13,181	-2.2	-40,811	-8.1	27,630	67.7
Profit/loss for the year	41,029	6.6	55,809	11.1	-14,780	-26.5
Operating profit/EBIT	46,369	7.5	98,914	19.6	-52,545	-53.1
Depreciation on fixed assets	24,548	3.9	47,329	9.4	-22,781	-48.1
EBITDA	70,917	11.4	146,243	29.0	-75,326	-51.5

The increase in revenue (kEUR +144,917) is largely due to the following significant effects. Revenue from separation work services increased in line with volumes and prices (kEUR +39,079). Revenue from the sale of natural uranium equivalents in the form of UF₆ almost doubled (kEUR +73,411) and revenue from the sale of natural uranium equivalents in the form of U₃O₈ also increased significantly (kEUR +33,572). The increases are driven by price and volume.

The increase in inventories primarily relates to increased separation work services (up by kEUR +43,093).

Other operating income decreased significantly compared to the prior year (kEUR -51,339), which is due to clearly lower proceeds from the reversal of provisions. Please refer to note (15) in the notes to the financial statements.

The increase in cost of materials (up by kEUR +20,606) is notably due to higher purchases and uses of natural uranium equivalents in the form of U3O8 as well as in the form of UF6. Electricity costs, an important factor in production costs, fell in the financial year (kEUR -2,800), partly due to the successful long-term purchasing strategy and relief for energy-intensive industries.

Personnel expenses only marginally increased in the financial year (kEUR +364). The increase in remuneration was largely offset by lower additions to pension provisions.

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment of kEUR 24,548 declined when compared to the prior year (down by kEUR 22,274), primarily due to expiring depreciations on technical equipment and machinery.

Other operating expenses increased significantly compared to the prior year (kEUR +119,685). The main drivers are performance obligations from sales and non-cash loan obligations in connection with natural uranium equivalents (kEUR +98,869), additions to the provision for obligations from the decommissioning and disposal of plant components (kEUR +13,204) and maintenance costs (kEUR +2,284).

The operating result (EBIT) fell significantly by kEUR 52,545 compared to the prior year. While total operating performance increased by kEUR 116,691, operating expenses rose disproportionately by kEUR 169,236. Please refer to the previous comments.

Financial result

The financial result of kEUR +7,841 (prior year: kEUR -2,294) considerably improved in the financial year. The main driver is the increased interest income (kEUR +10,734), which is based in particular on interest on the Group's clearing account, the balance of which increased by kEUR 217,350 in the financial year.

Income taxes

The taxes on income almost completely result from effects of the financial year. At kEUR 1,805, the out-of-period effects are of minor significance compared to the prior year; they relate to prior agreement procedures for 2019.

Profit for the year

The profit for the year 2023 amounts to mEUR 41,029 (prior year: kEUR 55,809).

In line with the profit for the year, EBITDA and EBIT fell significantly compared to the prior year.

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 IFRS. This means that budgeting, forecasts and actual figures as well as all 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.

Revenue in the financial year was significantly above budget and above revenue in 2022. The positive development compared to the prior year is the result of increased external sales of inventories of separation work and natural uranium equivalent in the form of UF6.

Revenue according to IFRS is derived as follows from the revenue under HGB:

	2023	2022
	kEUR	kEUR
Revenue under HGB	552,588	407,671
Adjustment IFRS	-137,294	-70,852
Revenue under IFRS	415,294	336,819

The main adjustments result from IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Accounting for SWAPs).

Operating costs (IFRS) were slightly below budget in the financial year, partly due to lower energy costs based on the long-term purchasing strategy and the utilisation of opportunities to reduce costs. Operating costs (IFRS) increased slightly compared to the prior year due to general price increases and adjustments to wages and salaries.

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 operating costs.

Profit after tax (IFRS) was significantly below budget in 2023, while there was a slight increase compared to 2022. The main driver is the negative impact on earnings from nuclear provisions, which were higher than originally assumed in the budget.

Investments in the plant are managed by means of a CAPEX budget, which was slightly exceeded in the financial year, while there was a significant increase compared to the prior year. Investments are made on the basis of the site development plan.

In addition, further non-financial performance indicators are used to control the Company. The most important indicator is the achievement of fulfilment of delivery obligations to our customers at all times (in quality & on time), which was achieved in the financial year. In addition, production output is another key figure that is used for control purposes. In the financial year, production output was marginally above the budget estimate for 2023, 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.

Finally, the energy consumption and the associated CO₂ emissions and waste volumes are permanently used to control and increase sustainability.¹³

¹³ Cf. https://www.urengo.com/cdn/uploads/supporting-files/Environmental_Statement_2023_Urengo_Deutschland_GmbH.pdf, data retrieval: 30 January 2024

4. Overall statement on economic situation

The separation capacity of Urenco Group is about 17,600t UTA/a (prior year: 17,900t UTA/a), to which Urenco Deutschland GmbH contributes a separation capacity of about 3,600t UTA/a (prior year: 3,700t UTA/a). This will enable the Company to continue to fulfil its customer requirements and delivery obligations in the future.

Urenco Group remains a leading enrichment service provider for the worldwide nuclear industry. In this respect, 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 flexibly to the demands of our customers as well as to the dynamic of the market. We react to 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.

The order book of Urenco Group extends into the 2040s with a value of around bEUR 14.7 (prior year: bEUR 10.8 until the end of the 2030s), which ensures the financial stability of future income and planning security for investments.

Due to the energy crisis associated with the outbreak of the war in Ukraine in February 2022, demand for European enrichment services has increased significantly, which has led to a significant rise in prices (from USD 125/SWU as at 31 December 2022 to USD 155/SWU as at 31 December 2023) for enrichment services and is strategically reflected in the expansion of Urenco Group's capacity.

Overall, we consider the economic situation of Urenco Deutschland GmbH to be positive and refer to our comments on the course of business, the assets, liabilities, 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.

To measure, control, analyse and monitor possible risks, the Company uses comprehensive technical, organisational and commercial reports about the strategic and operative business for presentation to the decisionmakers. 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 for early countermeasures.

b. Security & Safeguards

Each year, Urenco processes several thousand tonnes 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 material 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.

To reduce 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 2023 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 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 application 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). In doing so, 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. Financial 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 electricity costs

Electricity costs are a significant cost factor for Urenco Deutschland GmbH. Electricity prices for industry in Germany fell significantly in 2023 compared to the turbulent prices in 2022.¹⁴ We counter the procurement risk with a long-term purchasing strategy that diversifies the market price risk. 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. The forecast electricity volumes are almost fully covered (97%) up to and including 2028, meaning that we are protected against market price risks in the medium term.

We therefore classify the risk significance with regard to rising electricity costs as “low”.

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 for business on a 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 drawdown 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.

¹⁴ Cf. BDEW Bundesverband der Energie- und Wasserwirtschaft e.V.-Electricity Price Analysis February 2024 from 13 February 2024

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. The long-term liabilities of Urenco Group for financing its business activity bear fixed interest and thus do 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 on assets and liabilities.

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

Currency risk

The enrichment market in which Urenco operates is notably based on the USD, while the material operational costs are incurred 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 third year at 50% at least and in the fourth 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.

A tax audit is currently being conducted for the years 2017 to 2020, which has not yet been finalised at the time of preparation. No additional significant tax-related findings have been made in comparison to the completed tax audit for 2013 to 2016. All effects from the 2013 to 2016 tax audit, which are also reflected in the 2017 to 2020 tax audit, were already recognised in the prior year through corresponding provisions. The agreement procedure regarding the appropriate interest rate for the Group loan is ongoing and there are currently no new findings.

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. Site-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 Gronau uranium enrichment plant with a separation capacity of up to 4,500t 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.¹⁵¹⁶¹⁷ These have not been successful and are, moreover, contrary to the legal view of the management.

Management is of the legal opinion that a phase-out of uranium enrichment and an associated closure of the Gronau uranium enrichment plant is unconstitutional and contrary to European and international law.¹⁸ Especially with the complete phase-out of nuclear power generation on 15 April 2024, Urenco's uranium enrichment plant in Gronau/Germany, as the only remaining nuclear facility besides the fuel element production in Lingen/Germany, 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/Germany and see firsthand 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.

¹⁵ Cf. Bundestag Election Programme 2022 BÜNDNIS 90/DIE GRÜNEN, p. 28

¹⁶ Cf. Coalition Agreement 2022 - 2025 between the Social Democratic Party of Germany (SPD), BÜNDNIS 90/DIE GRÜNE and the Free Democrats (FDP).

¹⁷ Cf. German Bundestag, 19th legislative period, printed matter 19/2520

¹⁸ Cf. German Bundestag, Committee Printed Paper 19(16)96-C on the hearing on 17 October 2018.

5. 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.¹⁹ 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.²⁰ 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.²¹

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 2030.²²

The UN Climate Change Conference (COP 28) took place in Dubai/United Arab Emirates from 30 November to 13 December 2023. In the final declaration of 21 December 2023, the following key points were adopted.

- Confirmation of limiting the increase in the 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.
- First confirmation of the move away from fossil fuels.²³

¹⁹ Cf. VCI study: Roadmap 2050 Oct. 2019, p. 9 et seq.

²⁰ Cf. Global Scenarios and Forecasts for Energy Supply in Comparison, April 2021, p. 4.

²¹ Cf. World Energy Outlook 2022, IEA, p. 219 f.

²² Cf. World Energy Outlook 2022, IEA, p. 224 et seq.

²³ Cf. <https://www.tagesschau.de/ausland/asien/cop28-abschlusserklaerung-dubai-102.html>, data retrieval: 1 February 2024

At the conference, almost all Western industrialised nations, with the exception of Germany, issued a joint declaration setting out the goal of tripling nuclear power capacity by 2050 in the interests of climate protection. They are joined by China and Russia, which also want to massively expand their capacity. This emphasises the importance of nuclear power in achieving the climate targets alongside renewable energies.²⁴

Achieving global net zero emissions by 2050, as in the Net Zero Emissions by 2050 case (NZE2050) in the IAE's Energy Outlook 2021, 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 to, on the one hand, 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. Handelsblatt, 3 December 2023, 22 countries will triple the nuclear energy, data retrieval 1 February 2024

²⁵ Cf. World Energy Outlook 2024, 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 energy sources. Nuclear energy will play an important role worldwide, as can be seen in the IEA World Energy Outlook 2024. 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 onwards and has, by itself, 18 nuclear power plants 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, 61 nuclear power plants with a capacity of 68,079 MWe are under construction worldwide and another 113 nuclear power plants with a capacity of 110,677 MWe are in concrete planning.²⁹

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

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 2023, 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-worldwide.aspx>, data retrieval: 8 February 2024

Nuclear power remains the first choice for the basic load in many countries worldwide. The national governments worldwide obliged to reduce 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 an 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. Based on the aforementioned indicators, we are convinced that the capacity of nuclear energy will increase significantly in the medium and long term and that the demand for separation work capacity will also increase substantially as a result. Urenco Group's capacity programme is designed to make the required capacity available to the market.

c. Outlook

Our corporate planning for 2024 has been approved by the executive committee and the board of our parent company Urenco Ltd. in November 2023.

Our production output in 2024 will be marginally below the level of the year 2023. 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.

Sales revenue in 2024 will be almost at the same level as in 2023. The marginal decline in separation work services will be offset by higher prices.

IFRS operating costs and operating costs per kg UTA are expected to be significantly higher in 2024 compared to 2023.

Profit after tax (net profit) according to IFRS in the 2024 budget is significantly above the net profit of 2023 because an impact on earnings from other provisions that is considerably lower compared to 2023 is planned, especially for external obligations in connection with natural uranium equivalents in the form of UF₆.

The planned investments (CAPEX) in the site are clearly above the level of the investments of the current financial year in the 2024 budget.

Finally, the management naturally expects to fulfil the delivery obligations at all times, on-time and on-quality again in 2024.

Gronau/Germany, 7 June 2024

Urenco Deutschland GmbH

Dr Jörg Harren

Urenco Deutschland GmbH, Gronau/Germany

Balance sheet as at 31 December 2023

Assets	cf. notes	EUR	EUR	31 Dec. 2022 EUR	Equity and Liabilities	cf. notes	EUR	EUR	31 Dec. 2022 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 licences in such rights and assets			2,231,488.97	3,217,143.08	II. Capital reserves		12,443,450.58		12,443,450.58
II. Property, plant and equipment					III. Retained profits brought forward		136,579,443.06		80,770,111.20
1. Land and buildings		96,976,258.98		101,974,930.33	IV. Profit for the year		41,028,959.62		55,809,331.86
2. Technical equipment and machinery		38,845,311.73		49,011,300.02			246,301,853.26		205,272,893.64
3. Other equipment, operating and office equipment		25,219,507.03		23,836,478.21	B. Provisions				
4. Prepayments and assets under construction		37,152,714.08	198,193,791.82	21,067,574.85	1. Provisions for pensions	(6)	31,923,316.00		31,361,248.00
				195,890,283.41	2. Tax provisions		11,122,485.40		10,425,626.40
					3. Other provisions	(7)	910,248,975.71		720,876,971.43
III. Long-term financial assets	(2)							953,294,777.11	762,663,845.83
1. Shares in affiliated companies		1.00		1.00	C. Liabilities	(8)			
2. Other loans		93,600.00		103,200.00	1. Payments received on account of orders		10,924,568.01		23,698,630.66
			93,601.00	103,201.00	2. Trade payables		7,325,863.94		2,402,591.17
			200,518,881.79	199,210,627.49	3. Liabilities to affiliated companies		1,925,300.82		25,208.19
B. Current assets					4. Sundry liabilities		115,995,462.48		38,870,979.09
I. Inventories								136,171,195.25	64,997,409.11
1. Raw materials, consumables and supplies		9,905,891.81		6,073,653.93					
2. Finished goods and merchandise		467,868,182.04		405,112,809.25					
3. Prepayments		3,497,520.20	481,271,594.05	0.00					
				411,186,463.18					
II. Receivables and other current assets	(3)								
1. Trade receivables		31,915,428.63		34,737,391.49					
2. Receivables from affiliated companies		497,462,941.45		286,133,329.62					
3. Other current assets		57,160,102.02	586,538,472.10	24,819,636.30					
				345,690,357.41					
III. Cash-in-hand and bank balances			50,945.28	5,993,133.28					
			1,067,861,011.43	762,869,953.87					
C. Prepaid expenses			126,439.40	104,297.22					
D. Deferred tax assets	(4)		67,261,493.00	70,749,270.00					
			1,335,767,825.62	1,032,934,148.58				1,335,767,825.62	1,032,934,148.58

Urenco Deutschland GmbH, Gronau/Germany

Statement of profit and loss for the financial year 2023

	cf. notes	2022	
		EUR	EUR
1. Revenue	(13)	552,587,979.88	407,670,519.49
2. Increase or decrease in finished goods inventories		64,650,024.07	93,727,283.99
3. Other own work capitalised	(14)	3,442,077.78	2,590,646.76
4. Other operating income	(15)	44,243,188.03	95,581,937.06
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise		185,942,175.47	145,330,633.53
b) Cost of purchased services		<u>5,419,532.57</u>	<u>25,425,305.49</u>
6. Personnel expenses	(16)	191,361,708.04	170,755,939.02
a) Wages and salaries		27,746,384.03	24,690,920.16
b) Social security, post-employment costs and other employee benefit costs		<u>5,455,857.58</u>	<u>8,147,366.07</u>
		33,202,241.61	32,838,286.23
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment	(1)	24,547,690.74	47,328,682.17
8. Other operating expenses	(17)	369,247,612.94	249,561,251.24
9. Income from long-term equity investments	(18)	5,660,000.00	6,509,000.00
10. Other interest and similar income	(19)	13,413,853.80	2,679,497.68
11. Interest and similar expenses	(20)	11,233,006.54	11,482,131.75
12. Taxes on income	(21)	<u>13,180,885.89</u>	<u>40,810,841.39</u>
13. Earnings after taxes		41,223,977.80	55,981,753.18
14. Other taxes		<u>195,018.18</u>	<u>172,421.32</u>
15. Profit for the year		<u><u>41,028,959.62</u></u>	<u><u>55,809,331.86</u></u>

Urenco Deutschland GmbH, Gronau/Germany

Notes to the financial statements for the financial year 2023

General information

Urenco Deutschland GmbH, with registered office 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 Limited Liability Companies Act (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).

To improve the clarity of presentation, we made disclosures on the allocation to other items and the “thereof” information within these notes to the financial statements.

Recognition and measurement policies

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

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

Property, plant and equipment are measured at acquisition or production cost less, if depreciable, straight-line depreciation. The production cost of internally generated assets not only includes 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 collective item to be set up each year under tax law was taken over to the commercial balance sheet for reasons of simplicity. Of the annual collective items, the total amount of which is of minor significance, 20% p.a. is amortised on a flat-rate basis in the year for which the additions were made and in the four subsequent years. The depreciations on additions to property, plant and equipment are principally made pro rata temporis.

Long-term financial assets include the shares in affiliated companies measured at acquisition cost or at lower fair values, and other loans are 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.

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

Finished goods and merchandise are measured at acquisition or production cost, whereby not only direct costs are considered but also indirect cost of materials and production overheads as well as depreciation on fixed assets. Adequate expenses for social services of the business, 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 balance sheet date are recognised as **prepaid expenses or deferred income**.

In order to determine **deferred taxes** on account of temporary or quasi-permanent differences between the values recognised for assets, liabilities and prepaid expenses/deferred income 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 assets and liabilities are not disclosed in a netted manner. The resulting overall tax relief is recognised by exercising the respective recognition option under Sec. 274 (1) sentence 2 HGB as **deferred tax assets** within the balance sheet.

Provisions for pensions are determined 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 1.83% (forecasting method based on the data of the German Central Bank as of 31 December 2023) in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV) from 18 November 2009. The discount rate of 1.83% is based on the 10-year average computation pursuant to Sec. 253 (2) sentence 1 HGB. The discount rate on the basis of the 7-year average computation for determining the difference pursuant to Sec. 253 (6) HGB is 1.75%. Expected salary rises were considered at 3.00%, pension adjustments at 2.00% and the employee turnover at 1.00%.

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 financial years (discount rate) corresponding to their residual term. The commitments arising from long-service awards are discounted with the average market interest rate (1.75%) that arises when assuming a residual term of 15 years.

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 the balance sheet date. As 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 "List of shareholdings".

List of shareholdings

Name and registered office	Currency	Investment %	Equity in kEUR	Result of the past financial year in kEUR
Enrichment Technology Company Ltd., Capenhurst/UK	EUR	28.3	99,671 ¹⁾	23,741 ¹⁾

¹⁾ The disclosure refers to the financial year 2022.

(3) Receivables and other current assets

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

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

	31 Dec. 2023 kEUR	31 Dec. 2022 kEUR
Clearing of internal and external cash inflows and cash outflows	497,463	281,961
Prepayments made in trade	0	1,417
Creditors with debit balance due to credit note	0	2,755
	<u>497,463</u>	<u>286,133</u>

Other current assets include assets with a residual term of more than one year of kEUR 10,318 (prior year: kEUR 921).

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

Other current assets can be analysed as follows:

	31 Dec. 2023	31 Dec. 2022
	kEUR	kEUR
Receivables from		
(input) VAT	23,934	4,868
Income taxes	22,073	18,487
Energy tax	753	541
Prepayments	10,350	921
Sundry	50	3
	<u>57,160</u>	<u>24,820</u>

Income tax receivables of kEUR 22,073 reported under other current assets are accrued and legally arise within the meaning of Sec. 268 (4) sentence 2 HGB by assessment only after the balance sheet date.

(4) Deferred tax assets

Deferred tax assets are disclosed and result from the following facts:

	31 Dec. 2023	31 Dec. 2022
	kEUR	kEUR
Deferred tax assets on differences		
for values recognised in the balance sheet for		
land	249	249
technical equipment and machinery	71	87
prepaid expenses	6	6
provision for pensions	5,024	4,962
other provisions	91,817	86,487
other liabilities	1,268	642
	<u>98,435</u>	<u>92,433</u>
Netting with deferred tax liabilities on		
differences for values recognised in the balance sheet for		
finished goods and merchandise	-31,174	-21,684
Deferred tax assets, net	<u>67,261</u>	<u>70,749</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) Restriction on distribution

A restriction on distribution arises from the difference in accordance with Sec. 253 (6) HGB as well as from capitalisations in accordance with Sec. 268 (8) HGB in the following amounts:

	31 Dec. 2023	31 Dec. 2022
	<u>kEUR</u>	<u>kEUR</u>
Difference in acc. with Sec.253 (6) HGB	388	1,718
Capitalisation of deferred taxes	<u>67,261</u>	<u>70,749</u>
	<u><u>67,649</u></u>	<u><u>72,467</u></u>

(6) Provision for pensions

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

	31 Dec. 2023	31 Dec. 2022
	<u>kEUR</u>	<u>kEUR</u>
Provision for pensions		
10-year average computation	31,923	31,361
Provision for pensions		
7-year average computation	<u>32,311</u>	<u>33,079</u>
Difference	<u><u>-388</u></u>	<u><u>-1,718</u></u>

(7) Other provisions

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

Other provisions can be analysed as follows:

	31 Dec. 2023	31 Dec. 2022
	kEUR	kEUR
Commitments from the waste disposal		
of depleted uranium	606,550	469,830
Commitments from long-service awards	1,667	1,637
Commitments from the closure and		
waste disposal of plant components	168,517	153,519
Proportionate costs for container scrapping	44,475	39,771
Subsequent invoices and other performance obligations	77,570	27,830
Proportionate group costs	2,898	1,386
Impending losses from pending transactions		
(derivative financial instruments)	6,093	24,458
Personnel provisions (e.g. holidays, flexitime, profit participation, etc.)	2,479	2,446
	<u>910,249</u>	<u>720,877</u>

Provisions for proportionate group costs (kEUR 2,898; prior year: kEUR 1,386) constitute commitments towards affiliated companies. The item “Subsequent invoices and other performance obligations” include commitments towards affiliated companies of kEUR 26 (prior year: kEUR 178).

(8) Liabilities

The residual terms and the collateralisation of the liabilities are presented in detail within the “Statement of changes in liabilities”.

As in the prior year, liabilities do not include any liabilities to shareholders.

Liabilities to affiliated companies include payment commitments for delivered technical equipment and machinery of kEUR 1,900 (prior year: kEUR 0) as well as liabilities from a current clearing account of kEUR 25 (prior year: kEUR 25).

Other liabilities of kEUR 345 (prior year: kEUR 496) relate to taxes and kEUR 47 (prior year: kEUR 47) to social security.

Statement of changes in liabilities

	31 Dec. 2023			Total kEUR
	Up to one year kEUR	More than one year kEUR	More than five years kEUR	
1. Payments received on account of orders	9,955	970	0	10,925 ¹⁾
2. Trade payables	7,326	0	0	7,326 ¹⁾
3. Liabilities to affiliated companies	1,925	0	0	1,925 ¹⁾
4. Sundry liabilities	51,407	64,588	0	115,995 ¹⁾
	<u>70,613</u>	<u>65,558</u>	<u>0</u>	<u>136,171</u>

	31 Dec. 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>

Type of collateral:

¹⁾ no collaterals

(9) Contingent liabilities

The Company discloses with joint and several liability contingent liabilities from financing framework agreements closed with Urenco Group of bEUR 1.2 (prior year: bEUR 1.6). The purpose and benefit is to secure sufficient financing options for Urenco Group, primarily for additional investments to maintain enrichment capacities, which will be reflected in future sales revenues, as well as for the fulfilment of waste disposal obligations. The risk is the utilisation 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 utilisation at present.

(10) Other financial commitments

Apart from contingent liabilities, the existing purchase commitment leads to future commitments for the operation (mEUR 44.8) and for the further strengthening of the enrichment plant and replacement investments (mEUR 33.1) of mEUR 77.9 in total. Of these commitments, an amount of mEUR 0.0 relates to affiliated companies.

Furthermore, a purchase commitment exists for the 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. This is done taking into account the functional currency of the individual companies according to the business sharing ratio, which measures the accumulation performance of the individual investments in the reporting year.

On the 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
Currency-related transactions in USD as foreign exchange forward contract	350,356	12,551

The fair value of the portfolio of kEUR 12,551 results from positive fair values of kEUR 18,644, which are offset by negative fair values of kEUR 6,093.

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 includes in particular the discounted cash flow method. The computation is made by 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 6,093 as of the balance sheet date for not yet realised losses from currency hedges. This provision is disclosed under other provisions.

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

(12) Transactions with related parties

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

Notes to the statement of profit and loss

(13) Revenue

	2023		2022	
	mEUR	%	mEUR	%
Revenue				
- by service lines				
Separation work services	306.6	55.5	267.5	65.6
UF6/U3O8/conversion credits	240.8	43.6	133.6	32.8
Sundry	5.2	0.9	6.6	1.6
	<u>552.6</u>	<u>100.0</u>	<u>407.7</u>	<u>100.0</u>
- by regions				
Germany	0.0	0.0	1.9	0.5
Sundry EU countries	181.8	32.9	118.1	29.0
Third countries	370.8	67.1	287.7	70.5
	<u>552.6</u>	<u>100.0</u>	<u>407.7</u>	<u>100.0</u>

As in the prior year, the revenue of the financial year 2023 does not comprise any income from other periods.

(14) Other own work capitalised

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

(15) Other operating income

Other operating income can be analysed as follows:

	2023	2022
	kEUR	kEUR
Income from release of provisions for uncertain liabilities	21,002	89,067
Income from currency translation/exchange gains	23,241	2,008
Sundry	<u>0</u>	<u>4,507</u>
	<u>44,243</u>	<u>95,582</u>

The income from the release of provisions is matched by income from other periods.

(16) Personnel expenses

Personnel expenses can be analysed as follows:

	2023 kEUR	2022 kEUR
Wages and salaries	27,746	24,691
Social security	4,370	3,855
Post-employment costs	1,086	4,292
	<u>33,202</u>	<u>32,838</u>

(17) Other operating expenses

Other operating expenses can be analysed as follows:

	2023 kEUR	2022 kEUR
Loss from disposal of fixed assets	274	0
Expenses for commitments from the waste disposal of depleted uranium	150,019	148,696
Legal and consultancy fees as well as services of third parties	4,657	4,228
Insurances	3,708	3,546
Maintenance costs	9,345	7,060
Surveillance costs as well as safety-related monitoring	5,041	4,276
Expenses for commitments from the closure and waste disposal of plant components	17,594	4,390
Proportionate group-wide commitments for the scrapping of containers	4,333	4,251
Transfer of realised expenses from currency hedges for hedging fluctuations in exchange rates on part of the parent company	14,749	19,138
Additions to provisions for impending losses from pending financial instruments	0	7,758
Exchange losses/expenses from currency translation	3,320	2,069
Fee for commercial services of Urenco Enrichment Company Ltd.	16,491	12,308
Proportionate costs of Urenco Group	25,657	18,200
Change in provision for supply of natural uranium equivalents in the form of UF6	48,396	0
Revaluation at settlement amount of loans in kind via natural uranium equivalents in the form of UF6	50,473	0
Sundry	15,192	13,641
	<u>369,248</u>	<u>249,561</u>

Provisions with a remaining term of more than one year, in particular 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 (discount 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

Income from other long-term equity investments fully relates to affiliated companies.

(19) Other interest and similar income

Other interest and similar income can be analysed as follows:

	2023 kEUR	2022 kEUR
Interest income from affiliated companies	13,149	1,006
Sundry	265	1,673
	<u>13,414</u>	<u>2,679</u>

Other interest and similar income includes income from other periods of kEUR 265 (prior year: kEUR 1,673). Income from other periods relate to interest in accordance with Sec. 233a German General Tax Code (AO).

(20) Interest and similar expenses

Interest and similar expenses can be analysed as follows:

	2023 kEUR	2022 kEUR
Interest expenses to affiliated companies	0	341
Interest expense in accordance with Sec. 277 (5) sentence 1 HGB (accumulation of interest on provisions)	10,837	8,713
Sundry	396	2,428
	<u>11,233</u>	<u>11,482</u>

Interest and similar expenses include expenses from other periods of kEUR 365 (prior year: kEUR 2,404). 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:

	2023 kEUR	2022 kEUR
Taxes on income		
for the current financial year	11,498	32,482
for prior years	-1,805	-4,904
Expense/income (-) from the change in accounted deferred taxes		
for the current financial year	3,488	-4,197
for prior years	0	17,430
	<u>13,181</u>	<u>40,811</u>

The taxes on income in the current financial year for prior years mainly result from an effect from the offsetting of interest in accordance with Sec. 233a AO for the years 2020 to 2022 and effects in 2019 from the conclusion of an advanced pricing agreement (APA).

For the entire Urenco Group as well as for Urenco Deutschland GmbH, possible effects from the minimum tax law or the foreign minimum tax law were analysed, which serves to implement Council Directive (EU) 2022/2023 of 15 December 2022 on the application of minimum global taxation to multinational enterprise groups and large domestic groups within the Union (OJ L 328, 22 December 2022, p. 1; L 13, 16 January 2023, p. 9) or the model rules of the Organisation for Economic Cooperation and Development for global minimum taxation on which this directive is based. As the tax rate of Urenco Deutschland GmbH is well above 15%, the aforementioned minimum tax laws are not expected to have any impact on Urenco Deutschland GmbH. This assessment is reviewed annually.

(22) Appropriation of profits

Management proposes to carry forward onto new account the profit for the year totalling EUR 41,029. For the rest, we refer to the explanations on (5) restriction on distribution.

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/Great Britain
(Chairman)

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

The advisory board does not receive 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 78 in the financial year 2023. The provision set up for current and future pensions amounts to kEUR 6,643.

Employees

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

	<u>Heads</u>
Production	102.25
Technology	68.75
Supervision	42.75
Projects	21.50
Decommissioning	20.25
Logistics	23.75
Administration	<u>38.25</u>
	<u>317.50</u>

The managing director and 11.25 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 auditor for audit services provided in the financial year amounts to kEUR 101.

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 affected the assets, liabilities, financial position and financial performance presented within the annual financial statements.

Gronau/Germany, 7 June 2024

Urenco Deutschland GmbH

Dr Jörg Harren

Urenco Deutschland GmbH, Gronau/Germany

Movements in fixed assets in the financial year 2023

	Acquisition and production costs				Accumulated depreciation, amortisation and write-downs				Book values		
	1 Jan. 2023 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec. 2023 EUR	1 Jan. 2023 EUR	Additions EUR	Disposals EUR	31 Dec. 2023 EUR	31 Dec. 2023 EUR	31 Dec. 2022 EUR
I. Intangible fixed assets											
Purchased concessions, industrial rights and similar rights and assets as well as licences in such rights and assets	45,395,870.21	74,277.85	0.00	292,186.00	45,762,334.06	42,178,727.13	1,352,117.96	0.00	43,530,845.09	2,231,488.97	3,217,143.08
II. Property, plant and equipment											
1. Land and buildings	203,662,109.34	497,331.29	0.00	169,171.86	204,328,612.49	101,687,179.01	5,665,174.50	0.00	107,352,353.51	96,976,258.98	101,974,930.33
2. Technical equipment and machinery	1,250,957,406.77	800,747.15	0.00	1,072,582.38	1,252,830,736.30	1,201,946,106.75	12,039,317.82	0.00	1,213,985,424.57	38,845,311.73	49,011,300.02
3. Other equipment, operating and office equipment	90,569,161.50	6,082,825.41	0.00	791,283.87	97,443,270.78	66,732,683.29	5,491,080.46	0.00	72,223,763.75	25,219,507.03	23,836,478.21
4. Prepayments and assets under construction	21,067,574.85	20,155,304.01	1,744,940.67	-2,325,224.11	37,152,714.08	0.00	0.00	0.00	0.00	37,152,714.08	21,067,574.85
	1,566,256,252.46	27,536,207.86	1,744,940.67	-292,186.00	1,591,755,333.65	1,370,365,969.05	23,195,572.78	0.00	1,393,561,541.83	198,193,791.82	195,890,283.41
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	103,200.00	0.00	9,600.00	0.00	93,600.00	0.00	0.00	0.00	0.00	93,600.00	103,200.00
	19,775,474.82	0.00	9,600.00	0.00	19,765,874.82	19,672,273.82	0.00	0.00	19,672,273.82	93,601.00	103,201.00
	1,631,427,597.49	27,610,485.71	1,754,540.67	0.00	1,657,283,542.53	1,432,216,970.00	24,547,690.74	0.00	1,456,764,660.74	200,518,881.79	199,210,627.49

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 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023, 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 2023.

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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 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 Responsibilities for the Audit of the Annual Financial Statements and of 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 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 judgement 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, 7 June 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Henrik Arndt
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

DokID:

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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.