

**URENCO Deutschland GmbH
Gronau/Germany**

Management report and
annual financial statements
for the financial year from
1 January to 31 December 2020

TRANSLATION

– German version prevails –

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Urenco Deutschland GmbH, Gronau/Germany

Management report for the financial year 2020

Business and framework conditions

(a) Urenco-Group

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

Urenco-Group is an independent global energy and technology group. It operates plants with self-developed centrifugal technology in Germany, the Netherlands, Great Britain and since mid-2010 also in the United States. It aims to provide safe, cost-effective and reliable uranium enrichment for civil nuclear plants within the scope of ecological, social and entrepreneurial responsibility. Urenco-Group is thus supporting its customers in covering the global energy need and in producing CO₂-low energy.

Due to the Almelo contract from 1970, Urenco-Group is working on a solid basis. The Almelo contract provides the basic principles for an effective monitoring of the used centrifugal technology with regard to non-proliferation. In light of the growth of Urenco-Group, the international cooperation was expanded by further treaties to include the United States and France. The Almelo contract provides the basic principles for a continuous and reliable operation of Urenco-Group and assures the long-term continuity and stability of our business operation.

In 2020, we celebrated the 50th anniversary of the founding contract of our organisation – the Treaty of Almelo. Our success is due to the skills and dedication of our employees and the strong relationships we have with a variety of trusted and appreciated partners. This was even more evident during the Covid-19 crisis and we look forward to continuing to work together to ensure the performance of our industry during these turbulent times.

Urenco-Group is a reliable, long-term service provider for nuclear energy. Urenco-Group is proud of its 50-year history as a leading nuclear services technology company. We offer safe and reliable enrichment services for power generation under complying with high standards in the areas environment, social security and corporate governance.

After a continuous development and improvement over now 50 years within Urenco-Group, thereof 35 years at the site of Urenco Deutschland GmbH in Gronau/Germany, Urenco operates at a central point of the nuclear fuel cycle to meet the worldwide energy need. With its leading centrifugal technology, Urenco aims to hold its worldwide market share and to keep its leading position in the global enrichment market under maintaining the highest-possible effectiveness.

As one of the worldwide leading enrichment service providers, Urenco-Group serves more than 50 customers in 19 countries. Here, we are a reliable procurement source for our customers for enrichment services over the entire life cycle of their reactors. Urenco-Group is the sole corporate group worldwide that operates four enrichment plants in four different countries under four different legal systems. This geographic scope and diversity in the supply with enrichment services constitute a material competitive advantage that allows us to flexibly react on the demand in a number of markets.

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

(b) Global market for nuclear energy and market for enrichment services

About 10% of the worldwide energy need is produced by 442 nuclear power plants with a capacity of roughly 393.1 GWe (source: World Nuclear Association, abbreviated: WNA, Nuclear Power in the World Today, as of November 2020); compared therewith, 439 nuclear power plants with a capacity of about 368.5 Gwe were operative in the year 2015. The capacity, installed at present, can be analysed as follows when compared to the prior year:

	2020		2019		Change	
	MWe	Number	MWe	Number	MWe	Number
United States	96,553	94	97,896	96	-1,343	-2
France	61,370	56	63,130	58	-1,760	-2
Japan	31,679	33	31,679	33	0	0
China	47,498	49	45,688	47	1,810	2
Russia	28,578	38	29,203	38	-625	0
South Korea	23,172	24	23,231	24	-59	0
Canada	13,554	19	13,553	19	1	0
Ukraine	13,107	15	13,107	15	0	0
Great Britain	8,923	15	8,883	15	40	0
Germany	8,113	6	8,052	6	61	0
Spain	7,121	7	7,121	7	0	0
India	6,885	23	6,219	22	666	1
Sweden	6,859	6	7,569	7	-710	-1
Rest	39,652	57	37,114	55	2,538	2
	393,064	442	392,445	442	619	0

Source: WNA, World Nuclear Power Reactors & Uranium Requirements, as of January 2021

A total of 53 nuclear power plants is currently under construction; this corresponds to about 15% of the capacity installed at present. Further 98 nuclear power plants are currently planned corresponding to about 26% of the capacity installed at present.

New nuclear power plants that start their operation are mostly balanced by old nuclear power plants that were closed down. In the period from 1998 to 2018, a total of 89 nuclear power plants was closed down and 98 nuclear power plants became operative.

Worldwide, nuclear energy is the second-largest source for CO₂-low energy (29% of the total volume in the year 2018). In the year 2019, 12 countries covered about one-fourth of their energy need with nuclear energy. France covers about three-third of its energy need with nuclear power. Slovakia and the Ukraine cover more than the half of their energy need, while Hungary, Belgium, Sweden, Slovenia, Bulgaria, Switzerland, Finland and the Czech Republic cover about one-third of their energy need or more with nuclear power. South Korea normally covers more than 30% of its energy need with nuclear power, while the United States, Great Britain, Spain, Romania and Russia cover about one-fifth of their energy need with nuclear power. In the past, Japan has covered more than one-fourth of its energy need with nuclear power and it is expected that it will return to this level (source: WNA, Nuclear Power in the World Today, as of November 2020).

The approx. 442 nuclear power plants worldwide are operated in 31 countries, whereby Urenco-Group has customers in 19 countries. Actually, being due to regional transfer networks, many other countries are partially depending on nuclear energy; Italy and Denmark for example procure almost 10% of their energy need from imported nuclear energy. WNA, Nuclear Power in the World Today, as of November 2020) Germany, which will phase out nuclear power generation by 2022, is also dependent on imported nuclear energy. According to the Federal Statistical Office (press release No. 352 of 11 September 2020), electricity imports increased by 43.3% to 25.7 billion kWh in the 1st half of 2020 compared to the 1st half of 2019. One reason for this is the decreasing share of domestic feed-in from base-load capable, mostly conventionally operated power plants such as coal, nuclear energy and natural gas. In particular, when there was no wind or it was dark, electricity was therefore imported to cover the demand for electricity. The main electricity importing country was France, with 8.7 billion kWh, which has a nuclear share of around 71% of electricity generation.

The uses of nuclear technology go far beyond providing low-carbon energy. It helps control the spread of disease, assists physicians in diagnosing and treating patients, and powers the most ambitious space exploration missions. These diverse applications put nuclear technology at the centre of the world's sustainable development efforts. The stable isotope business of our Dutch sister company, Urenco Nederland B.V., has tremendous value to society, from diagnostics, therapeutics and pain relief to supporting the development of quantum computers. Urenco Nederland B.V. is therefore increasing its capacity in this field and looks forward to officially opening an expanded facility next year upon completion of the commissioning process.

The spread of the new coronavirus has necessitated dramatic measures in all areas of life worldwide. Maintaining a reliable power supply is vital. Nuclear power provides about 10% of the world's electricity, and thus nuclear reactors have a key role to play. Reactor operators have taken steps to protect their workforces and have implemented business continuity plans to ensure the continued function of key aspects of their operations. Beyond power generation, nuclear technologies have medical applications that contribute to Covid-19 control. The International Atomic Energy Agency (IAEA) provides diagnostic kits, equipment and training in nuclear detection techniques to countries requesting assistance in combating the global spread of the novel coronavirus (which causes Covid-19) (source: WNA, Nuclear Power in the World Today, as of November 2020).

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

The nuclear power industry plays a key role in the reliable provision of CO₂-low power. It requires long-term, cost-efficient and diverse enrichment services for its fuels.

Since 2011, the global enrichment market has been characterised by an excess supply and high inventories. The current price level for enrichment services would not support re-investments in our enrichment plants. Since mid-2018, we have observed a slight increase of the prices for uranium and enrichment services. In the year 2020, the prices for enrichment services remained on a similar level as in the year 2019. Natural uranium prices have risen to around \$100/kg U, primarily due to the temporary closure of mines around the world in response to the Covid-19 pandemic.

(c) Business activity

The annual financial statements of Urenco Deutschland GmbH for the year 2020 reflects a robust financial and operative performance in an era of significant global disruption due to the Covid-19 pandemic.

Urenco Deutschland GmbH has quickly acted to reduce the impacts from the spread of the coronavirus on our business. Our goal was to ensure the safety and well-being of our employees, their families and external service providers and suppliers, as well as the continued safe operation of our facility. We have a very low infection rate amongst our employees within Urenco Deutschland GmbH. No person was infected with the coronavirus on the company grounds of Urenco Deutschland GmbH. We achieved continuous, smooth operations and there were no interruptions in our supply chain or logistics.

As already in the years before, we were again able to fully meet our supply and service commitments towards our customers in the year 2020. Our customer supplies as well as the revenue from sold separation capacities declined in the financial year 2020 when compared to the prior year: the customer supplies decreased by about 9%, while revenue declined by about 12% being due to a price decline of about 3%.

Some markets have been more affected by the decline in customer deliveries than others, with Europe seeing the largest decline compared to the prior year. While there may be a corresponding small decline in deliveries in the upcoming years, many utilities are using the lower demand as an opportunity to drive maintenance programmes.

The sale of uranium enrichment services is made centrally by URENCO Enrichment Company Ltd., Stoke Poges/Great Britain, which closes and manages enrichment contracts in the name and on account of Urenco Deutschland GmbH. As in Germany resident enrichment company, Urenco Deutschland GmbH makes a material contribution for achieving the business targets of Urenco-Group. Like in the prior years, Urenco Deutschland GmbH participated at about 21% of the total supplies of the Group in 2020.

Next to the troika countries Germany, Netherlands and Great Britain (about 5%; prior year: about 3%), most important sale markets are the rest of Europe (about 26%; prior year: about 33%), the United States of America (about 49%; prior year: about 49%) and East Asia (about 12%; prior year: about 9%).

(d) Business model

Urenco is proud of its 50 years of history as leading technology company for nuclear services. We offer safe and reliable uranium enrichment services and products of the fuel cycle for power generation under complying with high standards in the areas environment, social responsibility and corporate governance.

Our business model is to be perceived as respected, resilient and reliable supplier, which holds the opinion that nuclear power is a material component of the energy mix for a more sustainable future. By using our technology and our knowledge, we are obliged to contribute to the fact that everyone has the energy to be successful.

This is, what we call “The Energy to Succeed”.

Development of the business activity

(a) Capital investments and current operation

On 14 February 2005, the Company received the approval for an expansion of the existing uranium enrichment facilities with an approved separation capacity of up to 1,800 t UTA/a (UTA/a = uranium separation capacity per year) by erecting and changing further facility parts and the operation of a total separation capacity of up to 4,500 t UTA/a.

During the entire financial year 2020, capital investments of mEUR 14.6 were notably made for the exchange of centrifuges (mEUR 3.8), for the procurement of new transportation containers (mEUR 3.9) as well as for strengthening measures and necessary replacement investments (mEUR 6.9).

The separation capacity is 3,800 t UTA/a (prior year: 3,900 t UTA/a) at year end. The production in 2020 was about 3,700 t UTA/a (prior year: about 3,800 t UTA/a) and is in line with the aforementioned planning. Thus, like in the prior year, the ratio of the actually produced separation work to the installed capacity amounted again to about 98% in 2020 (prior year: 98%).

The ongoing operation of the plant went according to plan despite the challenges of the coronavirus pandemic. The plant was operated safely in 2020 and without any breakdowns. No plant-related radio-activity was measured in the exhaust air and the waste water and the environment was not burdened in any way. The supply and delivery of the natural uranium as well as of the enriched and depleted uranium ran as planned.

We refer to the explanations on the “situation of the Company”.

(b) Staff

The average number of employees (including apprentices and managing directors) in the financial year 2020 was 295 (prior year: 287).

The success of Urenco Deutschland GmbH is the result of its employees. We continuously invest in their development to assure that we will dispose on the lasting expertise to conduct our business also in future.

Diversity & Inclusion

Urenco-Group is committed to diversity & inclusion. Inclusion, equality and diversity is about valuing our people, at all levels, wherever they work and whatever they do. Urenco believes that promoting and supporting inclusion and making the most of diversity is not only good for business, but also creates a safer workplace and is the right thing to do. Companies that have a diverse workforce achieve better business results. This is achieved through better challenges from a wider range of perspectives, greater innovation, better crafted strategies and more robust decision-making. Other key benefits include higher employee engagement, better motivation and greater effectiveness with all our stakeholders.

In detail, we pursue the following main targets:

- Ensure that leaders at all levels demonstrate effective leadership with consideration for inclusion, equality and diversity.
- Create an inclusive work environment where employees respect and value the diversity of others.
- Constantly challenge the status quo and develop new ways to improve the proportion of underrepresented groups to create a diverse, representative workforce at all levels.
- Conduct relevant processes in ways that promote equality and respect diversity and inclusion.
- Attract new employees from the widest possible talent pool while retaining our existing talented employees.

“Organisational Learning”

In the financial year 2020, Urenco Deutschland GmbH has furthermore established the new performance unit “Organisational Learning”, which reports, as supporting organisational unit, directly to the management. The performance unit “Organisational Learning” supports the management in the corporate development as independent institution within Urenco Deutschland GmbH. The goal is to establish a continuous learning process throughout the entire company that leads to keeping harmful events away and promoting positive events in the long term. For this purpose, events as well as processes are examined according to technical, business management and occupational safety aspects and learning potentials from corresponding analyses are identified and applied in an appropriate manner.

Education and further training

Also in 2020, we invested in the internal and external education and training of our employees. Our apprenticeship quota amounted to eleven apprentices in the average of 2020 (prior year: ten). Also in future, we will further invest in the education and training of our employees.

(c) Environmental protection and policy

At the latest since the beginning of the 1990s, scientists agree that humanity is responsible for the global warming. Already today, the accelerated increase of the sea level is threatening the small Pacific island state Tuvalu as well as Asian Bangladesh with millions of inhabitants in their existence. A further consequence of the global warming are the increasingly observable extreme weather conditions. Local heavy rain, stronger storms, hail in all seasons as well as longer and hotter droughts become more frequent. To limit the increase in temperature until the end of the century to less than 2 °C as was agreed in 2015 within the Paris Convention, the anthropogenic CO₂ emissions must be strongly reduced in short time. The entire humanity has only a rare residual budget in the size of a few hundred gigatons CO₂ (www.nature.com/articles/nclimate2572) – given annual emissions of 36 gigatons CO₂ per year (www.dw.com/en/15c-degree-goal-extremely-unlikely-ipxx/a-42154601), this residual budget will be used up in about one decade.

According to the International Energy Association IEA, nuclear power has worldwide avoided the emission of 63 billion tons CO₂ over the last approx. 50 years. The further operation of the worldwide existing 442 nuclear power plants and the further expansion of the nuclear power do not only serve the climate and the supply reliability but also the fight of poverty. Nuclear power may significantly contribute to provide access to a reliable, payable and climate-protecting power supply for more and more people. We are proud to make, together with our sister companies in the Netherlands, in Great Britain and in the United States of America, our future contribution to this climate-friendly energy supply for the world, by supplying nuclear fuels to more than 50 customers in 19 countries. The therefore used centrifuge technology proved to be the safest and most energy-efficient method of uranium enrichment.

For Urenco Deutschland GmbH, enriching uranium for climate-friendly energy generation, environment protection is a central concern. For us, sustainability means to use the available resources now and in future in a most effective way under protecting the environment and the climate without causing releases 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 the past financial year, there was some very positive progress at the commercial level as new enrichment contracts were signed. 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.

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

Our corporate policy includes the explicit statement of non-proliferation, the non-forwarding of the enrichment technology with the sub fields Security, Safeguards and Export Control. For this purpose, Urenco Deutschland GmbH has the necessary organisation structure and a control system that has been proven to work. The therewith connected commitments are based on international treaties such as the "Treaty on the Non-Proliferation of Nuclear Weapons", the Euratom treaty of 1957, the Almelo Treaty from the year 1970 and the Euratom Directive 3227/76.

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

With regard to the environment protection, the commitment for continuously improving our environmental performance is one of the central points on our agenda. The centrifuge method used by us works with the worldwide lowest energy need for uranium enrichment at highest possible safety and with a minimum impact on environment. This was proved by 35 years of safe operation at the Gronau location. The energy efficiency and reliability of the centrifuges is so high that the technology sets a global benchmark. Already during the erection of new enrichment capacities, safety and environment protection were priorities.

Eco-Management and Audit Scheme (EMAS)

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

The demanding requirements of the European Eco-Management and Audit Scheme (EMAS) are our benchmark, based on which our environment management system has been successfully reviewed by an independent environmental auditor since 1996. Also the review in the financial year 2020 again shows a successful eco-audit. The environmental auditor audited the environmental policy, the environmental program, the eco-audit, the environment management system and the environmental statement of Urenco Deutschland GmbH on compliance with the EMAS Directive and explained it for valid.

Also in the 24th year in a row, we hold on the EMAS-connected commitment to continuously improve our environmental performance. Thus, for example the production-related energy consumption could be reduced by about 20.6% compared to the value recorded in 2010 due to the use of the newest and most efficient centrifuge generation. 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.

(d) Quality

DIN EN ISO 9001

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

DIN ISO/IEC 27001

In 2011, Urenco Deutschland GmbH started the project Further Development and Certification of its Information Security Management System according to DIN ISO/IEC 27001. The project was successfully completed with the certification in July 2012. The international standard ISO/IEC 27001 (Information technology – Security techniques – Information security management systems - Requirements) specifies the requirements for the establishment, realisation, performance, monitoring, review, maintenance and improvement of a documented information security management system (ISMS). At the two-day recertification according to DIN ISO/IEC 27001 in April 2018, no deviations were observed.

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

Plan-Do-Check-Act-Cycle

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

Customer audit

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

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

Safety – “Safety First”

Safety in each business sector of Urenco-Group is a top priority. Safety is a central value of our corporate culture and thus we are still striving to operate under highest safety standards. As such, a special focus is put on safe behaviour throughout entire Urenco-Group.

ZERO HARM

For this purpose, we already started in the past years to establish a culture of "ZERO HARM". ZERO HARM is a collection of guidelines for occupational safety. Each letter stands for a principle of safety. Thus, ZERO HARM stands for eight safety principles.

ZERO HARM is based on the principle that all injuries and incidents can be avoided. Hence, we have the vision to create with ZERO HARM an environment, in which nobody is injured or damaged.

Occupational Safety Committee (ASA)

Urenco Deutschland GmbH has established an Occupational Safety Committee (ASA). This brings together the functionaries in charge of occupational safety and accident prevention to discuss occupational safety issues. The Occupational Safety Committee formulates recommendations, whose realisation is then decided by the management, where applicable under involvement of the works council.

Professionals for Occupational Safety (short: FaSi) as well as a Safety Officer

In addition, Urenco Deutschland GmbH has appointed so-called Professionals for Occupational Safety (short: FaSi) as well as a Safety Officer. The professionals for occupational safety advise and assist Urenco Deutschland GmbH in all occupational safety issues, health protection issues, accident prevention as well as the employees' workplace design. The Safety Officer acts as connector between the executives and the employees and provides suggestions for the improvement of the occupational safety and the health protection.

"Lockout, Tagout, Tryout"

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

"Safety Survey"

After the first "Safety Survey" in the financial year 2017, we have performed a further "Safety Survey" in the financial year 2018. By means of this we intend to measure our progress in safety issues and finally also intend to continuously improve the safety culture, the safety balance as well as our processes. We aim to prevent occupational accidents of our employees as well as of the external firms engaged by us in course of time by increasing the attentiveness and stronger concentrating on the pending task. Each person must take his/her individual responsibility for this.

"Safety Day"

In the past financial years, Urenco Deutschland GmbH has organised successful "Safety Days", in which not only employees and external firms participated but also family members. 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. The "Safety Day" of the year 2020 had to be cancelled due to the coronavirus crisis. Nevertheless, at Urenco Deutschland GmbH, the focus in the month of October 2020 was upon occupational safety. Within the framework of a big prize puzzle - conceived by the head safety engineer - the employees dealt in depth with the topic of "safety", which enjoys top priority at the site and is lived day by day.

"Near Miss"

The maxim of Urenco Deutschland GmbH is: Each work accident is avoidable. For protecting our employees as well as for avoiding that possible sources of danger actually turn into work accidents, a system for accident prevention was established with the notification of so-called "near misses". A "Near Miss" is a suddenly incurring, unplanned event not causing an injury, illness or damage but with the potential to do so. A high safety level can only be reached and held through ongoing improvements.

Assets, liabilities, financial position and financial performance

Our strategy is what we will do and our culture is how we will do it. The success of the one depends on the other and in the focus of both is our organisation and the people, showing why the commitment of our employees is so important.

(a) Strategy

Our strategy aims to strengthen and expand our business to assure its long-term sustainability. Our strategic planning process assures a continuous internal cycle of strategic review and refresh.

The strategy of Urenco-Group for reaching our mission is focusing on granting an excellent customer service. We supply our customers worldwide with safe and reliable supplies of enriched uranium as nuclear fuel for the civil use in nuclear power plants.

The implementation of this strategy is based on the following strategic pillars:

Responsiveness

We maintain narrow, long-term relationships with our customers and feel obliged to keep those also in future. Our technology allows us to react flexible on the wishes and demands of our customers and on the change of the market.

Global presence

We maximise the advantage of the global presence of Urenco-Group to assure a highest-possible delivery reliability for our customers.

Highly motivated and committed employees

To further improve our strengths as one of the worldwide leading enrichment service providers, we make sustainable capital investments in the skills of our employees and their development. Our target is to establish Urenco as employer of first choice.

Responsible, long-term corporate development – sustainability

Sustainability is a centrepiece of our business. For Urenco, sustainability means health, safety, environment, investment protection, safeguards, ethical behaviour and social performance.

Our centrifuges technology – 50 years of operational experience

For almost 50 years, Urenco-Group has successfully and reliably performed uranium enrichment in the field of gas centrifuges technology. Our experience and expertise allows us to efficiently and effectively operate our technology. This means that we are able to provide our worldwide customers with a flexible and responsive service.

From “Strategy 2020” to “Our Strategy”

The worldwide market for enrichment services still shows overcapacities as well as price pressure. In reacting on these demanding market challenges, Urenco-Group has already performed and resolved a review of its long-term direction in the financial year 2016 (program: “Strategy 2020”).

Thanks to the efforts, the energy and the enthusiasm of our employees, the Urenco strategy “Strategy 2020” could be successfully realised. Urenco-Group has more than met the target of mEUR 300 in cumulative cost savings and efficiency gains across the business. We redefine our business strategy and signed important new customer contracts. In addition, our sister company Urenco ChemPlants Limited has safely completed the construction of the Tails Management Facility, to responsibly manage the by-product of our enrichment services.

In 2019, Urenco-Group then launched a new strategic planning process that reflects our view of the future and what we need to achieve over the next five years.

The outcome is “**Our Strategy**”, which was developed by us (the employees) for us (the employees) aiming to assure a sustainable future. Our purpose, our vision, our mission and our values define our strategic goals and the culture of our Company.

Our purpose:

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.

Our values:

Safety	We are proud on ensuring the safety of our employees, society and the environment, and upholding the reputation of our industry, products and services.
Integrity	We are honest, fair and respectful in the way we work and behave.
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" helps us adapt to the challenges ahead so that we can continue to provide the high-quality products and services our customers demand and ensure the sustainability of our part of the fuel cycle. Building on a strong winning team and a healthy and inclusive corporate culture, we will take a number of proactive measures under the 'Our Strategy' programme to ensure a long-term sustainable future for Urenco-Group.

Our strategy is based on five pillars:

- *Form a winning team – our colleagues:* We will be the employer of choice with an inclusive culture aligned to our values and ambitions, leading to a healthy and high performing company.
- *Maintain our strong customer base:* We will be the preferred supplier to our global customers, offering a portfolio of products and services tailored to their needs and ensuring security of supply.
- *Preserving and innovating our core business:* We will actively pursue innovation to remain a leading player in the enrichment industry, while continuing to focus on the safe and efficient operation of our facilities.
- *Shaping and using the regulatory framework:* We actively work with key stakeholders to create a supportive business environment and build on strong relationships with our regulators and communities.
- *Promoting organic growth:* We will add value by becoming a more diversified company, offering a broader portfolio of products and services by expanding our nuclear technologies and capabilities.

We believe that nuclear energy is vital to a carbon-free future and to combating climate change. Through a combination of nuclear, renewables and e.g. hydrogen, we can build energy systems for a fully decarbonised world. However, there are challenges: The growth in the nuclear sector slowed down and has reached its peak in the Western world, what has consequences for us. With "Our Strategy", we are adapting to these changes in order to continue to offer our customers high-quality products and services and to ensure the sustainability of our part of the fuel cycle.

The nuclear energy industry needs to work together, including regulators, so that we can make a valuable contribution to decarbonisation efforts. If we fail to do this, the necessary global energy transition will be very difficult to achieve.

(b) Overall statement on the business development by the management

The separation capacity of Urenco-Group is about 18,300 t UTA/a (prior year: 18,500 t UTA/a), to which Urenco Deutschland GmbH contributes with a separation capacity of about 3,800 t UTA/a (prior year: 3,900 t UTA/a). Thus, we will be able to fulfil the demands of our customers and meet our supply commitments also in future.

Urenco remains a leading enrichment service provider for the worldwide nuclear industry. Here, the customers appreciate Urenco as independent, flexible provider of enrichment services as well as the ability of Urenco to be able to meet the long-term supply commitments at any time and at the satisfaction of its customers. To keep our market share and further hold our position as worldwide leading service provider for enrichment services, we concentrate on providing a continuous excellent customer service.

We further cultivate our close and long-term relationships with all our customers. Our technology allows us to react flexible on the demands of our customers as well as on the dynamic of the market. The market for enrichment services is further developing, primarily on account of the lasting uncertainties in Japan as well as the phase-out of nuclear power in Germany. This led to a declining demand in connection with a therewith connected in the worldwide stock as well as to a price pressure for separation work services. We react on the lower price for separation work services by better using the natural uranium in addition to the existing enrichment services. Simultaneously and within the scope of our strategic reorientation, we will optimise the profitability of the operation of our enrichment facilities, maximise our flexibility and expand our service portfolio.

Urenco-Group intends to have the ability to serve its current customers, grow our business in new markets and meet the fuel requirements of advanced reactors. Our own forecasts for the demand for enrichment services show that Urenco-Group must start in the mid of this decade to replace a part of this capacity. Urenco-Group's current capacity was based on the assumption of a more widespread use of nuclear power than has occurred, but our future capacity will be appropriately sized for the future market. In terms of optimising our capacity, we are using our capacity to both produce enriched uranium and conserve the natural uranium resource.

Current prices in the market are not sustainable in the long term in the sense of not being sufficient to support either the development of new enrichment plants or reinvestment in enrichment capacity in existing plants. However, the spot price for enrichment services rose in the years 2019 and 2020 being a positive development into the right direction.

The market conditions are still difficult. The order backlog of Urenco-Group reaches as far as to the 2030s with a value of about bEUR 9.0 based on an EUR/USD exchange rate of 1:1.22 (prior year: bEUR 10.6 on the basis of an exchange rate of EUR/USD of 1:1.12), assuring the visibility and financial stability of future income and offers a short- and medium-term protection against the currently dominating market challenges as well as against the price pressure.

Since 2011, the global enrichment market has been in a state of oversupply and high stock. We believe that the stocks of enriched uranium will decline gradually and that the uranium enrichment market will thus improve. However, the period, in which this will incur and the scope to which the market will recover remain uncertain.

We still remain confident as regards the future of nuclear power as important component of the worldwide energy mix. We still see opportunities and growth potentials in new markets. Through the current continuous implementation of "Our Strategy", we see ourselves well positioned to participate in these growth opportunities.

One of the main advantages 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. As part of our renewed "Our Strategy", we continue to believe that this is a real strength and opportunity for our business.

(c) Financial and non-financial performance indicators

Also in this financial year, Urenco Deutschland GmbH has successfully reached its non-financial and financial performance indicators again. On the one hand, all supply commitments (in quality on time in full) were met in the financial year 2020 (non-financial performance indicators). On the other hand, also the planned production of separation work was reached with an amount of 3,700 t UTA (financial performance indicator). Urenco Deutschland GmbH participates in the revenue of the Group in line with its production rate. Hence, the production constitutes a further important financial performance indicator of Urenco Deutschland GmbH.

Financial performance

	2020		2019		Changes	
	kEUR	%	kEUR	%	kEUR	%
Sales revenues	406,279	93.1	431,437	97.0	-25,159	-5.8
Change in inventories	28,217	6.5	11,444	2.6	16,773	>100.0
Other own work capitalised	1,680	0.4	1,787	0.4	-107	-6.0
Total performance	436,175	100.0	444,668	100.0	-8,493	-1.9
Other operating income	160,043	36.7	169,553	38.1	-9,510	-5.6
Cost of materials	67,660	15.5	108,738	24.5	-41,078	-37.8
Personnel expenses	28,801	6.6	27,547	6.2	1,253	4.5
Depreciation on fixed assets	72,352	16.6	78,225	17.6	-5,874	-7.5
Depreciation on current assets	5,761	1.3	0	0.0	5,761	-
Taxes						
(without income taxes)	197	0.0	201	0.0	-4	-2.0
Other operating expenses	239,040	54.8	224,253	50.4	14,787	6.6
OPERATIONAL EXPENSE	253,767	58.2	269,411	60.6	-15,644	-5.8
OPERATING PROFIT OR LOSS	182,408	41.8	175,257	39.4	7,152	4.1
Financial result	-25,742	-5.9	-31,378	-7.1	5,636	-18.0
Income taxes	-88,598	-20.3	-44,699	-10.1	-43,899	98.2
PROFIT FOR THE PERIOD	68,068	15.6	99,180	22.3	-31,112	-31.4
Operating profit/EBIT	182,408	41.8	175,257	39.4	7,152	4.1
Amortisations and depreciations	72,352	16.6	78,225	17.6	-5,874	-7.5
EBITDA	254,760	58.4	253,482	57.0	1,278	0.5

Operating profit

The decrease in revenue primarily results from the lower revenue from the sale of separation work services to external customers (down by kEUR 35,338) at an increase in revenue realised with the sale of natural uranium equivalents in form of UF₆ (kEUR 18,889), while the revenue realised with the sale of natural uranium equivalents in form of U₃O₈ showed a decline in contrast (kEUR -5,349).

The decrease in revenue realised with the sale of separation work services to external customers was due to a decline of about 9% of the supply quantities at a decline in revenue per kg separation work of about 3%. The increase in revenue from the sale of natural uranium equivalents in the form of UF₆ is due to an increase of the supply volumes of about 12% at an increase of the income per kg natural uranium in form of UF₆ of about 15%. The decline in revenue from the sale of natural uranium equivalents in the form of U₃O₈ is due to the lower sales volumes (down by about 34%) at a higher income per lb natural uranium in form of U₃O₈ (up by about 20%). The increase in revenue per kg natural uranium in form of U₆ and/or per lb natural uranium in form of U₃O₈ is primarily due to the temporary closure of mines throughout the world in reaction to the Covid-19 pandemic.

The higher inventories result from higher separation work stocks as of balance sheet date (kEUR 51,318), while the natural uranium equivalent stocks in form of U₆ declined by kEUR 25,942.

The other operating income declined by kEUR 9,510 when compared to the prior year. The development of other operating income is explained within the notes to the financial statements.

The decline in cost of materials (down by kEUR 41,078) was primarily due to lower sales of natural uranium equivalents.

The personnel expenses rose by kEUR 1,253 in the financial year. The higher personnel expenses were caused, on the one hand, by an increase in the average number of employees as well as, on the other hand, by the increase in remuneration following the realisation of the tariff agreement with the Union for the Mining, Chemical and Energy industries (IG BCE) as of 1 July 2020.

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment of kEUR 72,352 declined when compared to the prior year (kEUR 78,225), being primarily due to expiring depreciations on technical equipment and machinery.

The development of other operating expenses is explained within the notes to the financial statements. Compared to the prior year, the other operating expenses rose by kEUR 14,787, being primarily due to discount-related higher expenses for obligations from the decommissioning and disposal of plant components and for the scrapping of containers, while no additions to provisions for impending losses from pending financial instruments were necessary in the 2020 financial year.

The operative profit (EBIT) of mEUR 182.4 rose when compared to the prior year (mEUR 175.3).

Financial result

The negative financial result of mEUR -25.7 (prior year: mEUR -31.4) fell when compared to the prior year. This development was due to the income from equity investments of mEUR 2.8 as well as to the other interest and similar income of mEUR 3.0.

Income taxes

For the development of the income taxes, we refer to the information provided within the notes to the financial statements.

Profit for the year

The profit for the year 2020 amounts to mEUR 68.1 (prior year: mEUR 99.2). The profit for the year is in line with the expected result.

The EBITDA of mEUR 254.8 increased when compared to the prior year (mEUR 253.5).

Assets, liabilities	31 Dec. 2020		31 Dec. 2019		Changes	
	kEUR	%	kEUR	%	kEUR	%
Fixed assets	284,512	38.8	342,262	28.2	-57,750	-16.9
Inventories	341,835	46.7	309,884	25.5	31,951	10.3
Receivables	45,276	6.2	444,564	36.6	-399,288	-89.8
Cash and cash equivalents	53	0.0	50	0.0	3	6.0
Sundry assets	4,558	0.6	51,938	4.3	-47,380	-91.2
Deferred taxes	56,388	7.7	64,839	5.3	-8,451	-13.0
ASSETS	732,622	100.0	1,213,537	100.0	-480,915	-39.6
Equity	157,176	21.5	249,109	20.5	-91,933	-36.9
Non-current liabilities	491,773	67.1	511,636	42.2	-19,863	-3.9
Current liabilities	83,673	11.4	452,792	37.3	-369,119	-81.5
CAPITAL	732,622	100.0	1,213,537	100.0	-480,915	-39.6

Assets

The decline in fixed assets is primarily due to amortisation of intangible fixed assets and depreciation of property, plant and equipment (kEUR 72,352), at capital investments in fixed assets of kEUR 14,633.

As already explained, the increase in inventories is notably due to higher separation work stock.

Compared to the prior year, the receivables declined by mEUR 399.3 being primarily due to the repayment of the loan to Urenco Ltd., Stoke Poges/Great Britain, in an amount of mEUR 400.0, which was repaid with receivables from ongoing netting of trade with other group companies. As of balance sheet date, the receivables primarily comprise trade receivables. The balances denominated in foreign currencies are translated at the middle spot rate in effect on balance sheet date.

Next to the prepaid expenses, the sundry assets include other assets. Compared to the prior year, the other assets primarily declined with regard to the tax refund claims as well as interest according to Sec. 233a AO on tax refund claims following the closure of an advance pricing agreement between the Federal Central Tax Office, the Dutch Ministry of Finance and British HM Revenue & Customs in 2020. In this respect, we draw attention to the explanations provided on income taxes within the notes to the financial statements.

The decline in deferred taxes is primarily due to the differences between the values recognised for finished goods and merchandise in the commercial balance sheet and the values recognised for the same item in the tax base. In this respect, we refer to the explanation of the deferred tax assets within the notes to the financial statements.

Capital

The equity declined by kEUR 91,932 to kEUR 157,176 with this development being primarily due to distributions made to the shareholder (kEUR 160,000). These distributions exceeded the profit for the year of the current financial year (kEUR 68,067). A distribution block of kEUR 59,348 is disclosed as at 31 December 2020.

The long-term borrowing capital primarily comprises the long-term pension provisions and staff provisions, the waste disposal provisions as well as the proportionate costs for the container scrapping of the group. The decline in long-term borrowing capital is kEUR 19,862. The long-term borrowing capital primarily declined due to the volume-related decrease in the provisions for commitments from the waste disposal of depleted uranium, whereby the valuation of the commitment per kg U increased on account of the continuously declining average market interest rate of the past seven financial years (computation interest rate). Furthermore, the long-term provisions for impending losses from pending transactions (derivative financial instruments) showed a decline. Contrary effects arose from the increase in the decommissioning provision and the provisions for proportionate costs for container scrapping. On the one hand, the reason for the increase is the valuation – the continuously declining average market interest rate of the past seven financial years (computation interest rate) at unchanged volumes leads to higher provisions – and, on the other hand, was caused by the proportionate addition of the decommissioning provision.

The current provisions primarily comprise the current portion of the pension provisions and staff provisions, the tax provisions, the current prepayments received, the liabilities from the current netting of trade with other group companies as well as in the prior year also the loan to Urenco Ltd. of mEUR 400.0. The decline in current liabilities is mEUR 369.1 and primarily results from the scheduled repayment of the loan to Urenco Ltd. (mEUR 400.0), while the tax provisions rose by mEUR 7.4, the short-term provisions for impending losses from pending transactions (derivative financial instruments) by mEUR 8.0 and the liabilities from current netting of trade with other group companies by mEUR 38.1.

The loan to Urenco Ltd. of mEUR 400.0 is denominated in Euro. The loan has a fix term of five years until 31 December 2020, accrues interest at a rate of 4.65% and was repaid as planned as of 31 December 2020.

Financial position (cash flow statement)

		31 Dec. 2020 kEUR	31 Dec. 2019 kEUR
	Profit for the period	68,068	99,180
	Amortisation, depreciation and write-downs of property, plant and equipment and intangible fixed assets	72,352	78,225
	Gain on/loss from disposal of assets	0	-2
	Interest paid	21,893	19,617
	Increase (-)/decrease of inventories, trade receivables and other assets not related to investing or financing activities	423,166	18,040
	Increase/decrease (-) of trade payables and other liabilities related to investing or financing activities	11,018	-83,781
I.	= Cash inflow from operating activities	596,497	131,278
	Proceeds from disposal of fixed assets	31	25
	Payments for capital investments in fixed assets	-14,633	-16,790
II.	= Cash flow from investing activities	-14,602	-16,765
-	Payments to shareholders (distribution)	-160,000	-95,000
	Proceeds from raise of (financial) loans	0	0
-	Payments for the repayment of (finance) loans	-400,000	0
-	Interest paid	-21,893	-19,617
III.	= Cash flow from financing activities	-581,893	-114,617
	Net increase/decrease in cash funds (total of rows I.-III.)	2	-103
+	Cash and cash equivalents at the beginning of the period	50	153
=	Cash and cash equivalents at the end of the period	52	50

The financing of the uranium enrichment plant Gronau and the therewith connected provision of cash and cash equivalents is assured through the own cash flow as well as sufficient framework credit agreements of URENCO-Group. Urenco-Group disposes on undrawn credit facilities at banks of mEUR 750.0, which protect Urenco-Group as well as Urenco Deutschland GmbH against possible long-term negative effects from the COVID-19 pandemic.

Given the external ratings performed by the agencies Moody's (Baa1/Stable) and Standard & Poor's (BBB+/Stable/NR) in 2020, Urenco-Group with its uranium enrichment plant resident in Gronau continues to be rated as average good investment.

This assures that sufficient cash and cash equivalents are available for financing Urenco Deutschland GmbH.

We consider the presented assets, liabilities, financial position and financial performance to be positive.

The separation capacity is 3,800 t UTA/a (prior year: 4,000 t UTA/a) at year end. The production in 2020 was about 3,700 t UTA/a (prior year: about 3,800 t UTA/a) and is in line with the aforementioned planning. Thus, like in the prior year, the ratio of the actually produced separation work to the installed capacity amounted again to about 98% in the financial year 2020 (prior year: 98%).

Risk reporting

The elements of a functioning risk management has 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 or maintenance.

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

(a) Security & Safeguards

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

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

URENCO Deutschland GmbH is certified according to DIN EN ISO 9001, DIN EN ISO 14001 as well as DIN ISO/IEC 27001. The functionality of the management system was reviewed within the scope of a combined audit in August 2020 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 Energy (BMWi) monitors the use of the specially protected technology.

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

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

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

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

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

(b) EU Referendum of the United Kingdom (Brexit)

With the withdrawal agreement dated 17 October 2019 that was renegotiated by the Prime Minister Boris Johnson and which was ratified by the House of Commons on 9 January 2020 and approved by the EU Parliament on 29 January 2020, the United Kingdom finally left the European Union on 31 January 2020 (Brexit). According to the withdrawal agreement, a transition phase started on 1 February 2020 until 31 December 2020, during which the United Kingdom was still member of the EU but without any co-determination rights. As a general rule, the entire EU right further applied. In particular, the United Kingdom further participated until 31 December 2020 in the EU customs union and the EU internal market (with all four basic freedoms: free movement of goods, capital, services and persons).

After a transition period of almost one year, the United Kingdom left the European internal market and the European customs union on 1 January 2021.

Trading and cooperation agreement dated 24 December 2020

With the closure of a comprehensive agreement on 24 December 2020, the EU and the UK have opened a new chapter in their relationship. In almost one year of intensive negotiations, it has been possible to comprehensively reshape the future relationship between the EU and the United Kingdom. The Partnership Agreement negotiated between the EU and the United Kingdom, the Trade and Cooperation Agreement between the EU and EURATOM on the one hand and the United Kingdom and Northern Ireland on the other hand, entered into force provisionally on 1 January 2021. It puts the relationship between the EU and the UK on a new footing. All 27 member states gave their consent to the agreement and to its provisional application on 29 December 2020.

The agreement on future relations establishes, among other things, a comprehensive economic partnership. At its core, this is based on a free trade agreement that provides, among other things, for zero tariffs and zero quotas for all goods that comply with the relevant rules of origin.

Both sides have agreed on far-reaching regulations to guarantee fair competition. This concerns the area of state aid as well as standards in consumer protection, worker protection, environmental and climate protection. In addition to trade issues, the European Union and the United Kingdom have also agreed on the framework for future cooperation in many other areas: These include services, professional qualifications, public procurement, environmental and energy issues, air, sea and rail freight transport as well as regulations on social security or research and development.

Agreement for Cooperation in the Safe and Peaceful Uses of Nuclear Energy

The Agreement between the United Kingdom and Northern Ireland and EURATOM for Cooperation in the Safe and Peaceful Uses of Nuclear Energy is the third agreement negotiated during the transition period, along with the Trade and Cooperation Agreement and the Agreement on Security Procedures for Classified Information. It has been provisionally in force since 1 January 2021.

It provides for wide-ranging cooperation in this field and is underpinned by assurances from both sides that they will respect international non-proliferation obligations and not lower their current levels of nuclear safety standards.

The agreement enables:

- Supply and transfer of nuclear material, non-nuclear material, technology and equipment.
- Trade and trade-related cooperation in connection with the nuclear fuel cycle
- Cooperation on the safe management of spent fuel and radioactive waste
- Nuclear safety and radiation protection
- Use of radioisotopes and radiation in agriculture, industry and medicine
- Geological and geophysical exploration
- Exploration, extraction, processing and use of uranium deposits

Both parties also explicitly commit not to lower their current nuclear safety standards and to cooperate at the international level to promote the implementation and improvement of international nuclear safety standards.

Reaction of Urenco-Group:

During 2020, Urenco-Group completed preparations for the UK's withdrawal from the European Union and the EURATOM Treaty, ensuring that products are in the right locations around the world and preferring to source critical items internationally in the event of transport disruptions. These and other measures taken by Urenco-Group will enable us to continue to provide services from any location. Furthermore, agreements exist for satisfying the customer needs for the case of a transportation stoppage. The ability to provide services from sites in continental Europe, Great Britain and the United States will also allow a continuous and safe supply of the customers with as little disturbances as possible.

Also export licenses were agreed for the time after the Brexit. This level of preparedness is complemented by nuclear regulations and agreements implemented by the UK government, namely the UK Nuclear Safeguards Regulations, bilateral international safeguards agreements with the International Atomic Energy Agency and new international nuclear cooperation agreements.

VAT

The VAT guideline does not apply for third countries. However, Urenco Deutschland GmbH is notably providing other services. In the field of other services, no significant impacts are expected from the Brexit. In most cases, the site of service provision in the B2B segment remains at the site of the service recipient. This applies independent of, whether the service recipient is resident in a third country or in an EU member state.

Capital yield tax

Based on the European Parent-Subsidiary-Directive, Urenco Deutschland GmbH could abstain from retaining capital yield tax on the profit distribution to the parent resident in Great Britain. After the end of the transition phase, the receiving British entity is no longer resident in an EU member state. Thus, the German capital yield tax could only be reduced based on the double taxation treaty between Germany and the United Kingdom. The treaty provides for a remaining tax rate for capital yield tax on profit distributions of 5%. Within the United Kingdom, received profit distributions are completely exempt from the local corporate income tax. A consideration of the German tax burden for the British tax burden is thus not possible and the charge is permanent.

Export control

The withdrawal of the United Kingdom had no consequences as regards the export control law until 31 December 2020. In particular there were no new or amended approval duties. As from 1 January 2021, the United Kingdom are considered as third country under export control law. Under export control law aspects this means that the supplies to the United Kingdom are classified as exports and not as movements. This creates new licensing obligations.

Logistics

As from 1 January 2021, Great Britain is classified as third country, so that export applications must be filed for possible transports to Great Britain after the end of the transition phase. This leads to a higher administrative effort at Urenco Deutschland GmbH.

(c) Risk of default of receivables, changing interest rates and liquidity risk

Urenco also faces the risk of default of receivables, the risk of changing interest rates, the currency risk and the liquidity risk. All of these risks are centrally controlled by our ultimate group company Urenco Ltd. The Board of Urenco Ltd. regularly monitors the policies issued for controlling these risks.

Risk of default of receivables

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

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

Risk of changing interest rates

Urenco-Group is exposed to an interest rate risk on cash balances subject to short-term floating interest rates. The long-term liabilities of Urenco-Group for financing its business activity bear fix interest and do thus not lead to any risks of changing interest rate for Urenco-Group. Urenco-Group manages its cash balances to protect against adverse changes in interest rates while maintaining liquidity to meet operating needs. Urenco-Group's policy for managing interest rate risk is to hold a portion of its borrowings at fixed interest rates. Urenco-Group enters into cross-currency interest rate swaps whereby it agrees to exchange, at specified intervals, the difference between the fixed rate and floating rate amounts calculated by reference to an agreed notional amount. These swaps are used to hedge the underlying debt obligations.

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

The risk of changing interest rates is classified as “medium” risk.

Currency risk

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

The currency risk is classified as “medium” risk.

Liquidity risk

Urenco-Group plans its financing and monitors the risk of a shortage of funds on a monthly basis using a forward planning model that takes into account the maturity of existing loan liabilities, planned investments and projected cash flows from operations. Urenco-Group has mEUR 750 in undrawn committed bank facilities. Urenco-Group manages 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 “medium” risk.

The internal audit of the current risk situation has shown that there are no facts threatening the continued existence of the Company.

(d) SARS-CoV-2 (Coronavirus)

Urenco-Group as well as Urenco Deutschland GmbH continuously and accurately monitor the situation with regard to the coronavirus and the potential risk for employees and the operation.

Throughout 2020, Urenco-Group as well as Urenco Deutschland GmbH ensured that measures were taken to prevent and mitigate the risks associated with COVID-19. The biggest challenge and the most important priority was and is to protect the health and safety of our employees and their families, as well as to ensure the continued safe operation of our sites.

Our global Covid-19 teams worked together quickly and decisively to put in place detailed prevention, mitigation and recovery plans. Enhanced preventative measures were also implemented at all sites. These preventive measures at Urenco Deutschland GmbH include, for example, access regulations to the plant premises, contact restrictions including home office for employees who are able to do so, regulations on safety distance as well as special hygiene regulations and the wearing of mouth-nose protection or an FFP2 respirator mask for certain activities. In order to further minimise contacts on the plant premises of Urenco Deutschland GmbH, 2-shift operation was introduced for some power units and the shift rhythm was adjusted for shift workers.

Rapid COVID-19 testing by approved medical providers was made available to Urenco workers on a voluntary basis for those who wished to have the test done, and also as a requirement for work at the site where conditions required more stringent measures.

All measures will remain in place at Urenco Deutschland GmbH until further notice, with restrictions being gradually relaxed in line with government guidelines.

We also worked closely with suppliers and business partners to mitigate the associated risks. Additional stockpiles were created for critical components and we sourced alternative products in case of supply shortages.

There was no disruption to our operations, supply chain or logistics despite COVID-19. We maintained our 100% delivery reliability to our customers. Urenco Deutschland GmbH did not take advantage of any support from government employment programmes such as short-time working allowance.

From March 2020, work at the sites focused on business-critical activities, with some investment projects being postponed or slowed down. This results in these projects being postponed to 2021.

The risk of negative deviations at the forecasts and figures due to COVID-19 is considered as being low.

The internal audit of the current risk situation has shown that there are no facts threatening the continued existence of the Company.

Outlook, opportunities of future development

(a) Global energy need

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

The energy world is characterised by a number of deep differences. The gap between the promise of energy for all and the fact that almost one billion people have still no access to electricity. The gap between the newest scientific knowledge that underlines the necessity of a more quickly reduction of the global greenhouse gas emissions and the data that shows that the energy-related emissions reach a further historic record level in the year 2018. The gap between the expectations put on energy transitions driven by renewable energies and the reality of today's energy systems with a persistently lasting dependence on fossil fuels (source: IEA, World Energy Outlook 2019, Executive Summary, page 1).

"World Energy Outlook 2020" by the International Energy Agency (IEA: "International Energy Agency").

The COVID-19 pandemic has caused more disruption to the energy sector than any other event in recent history and left impacts that will be felt for years to come, according to the introduction in the Executive Summary of the International Energy Agency's (IEA: "International Energy Agency") "World Energy Outlook 2020".

Global energy demand returns to pre-crisis levels in early 2023 in the Stated Policies Scenario (STEPS) of the World Energy Outlook 2020, but this is delayed until 2025 in the case of a prolonged pandemic and a deeper slump, as in the Delayed Recovery Scenario (DRS). Pre-crisis energy demand was projected to grow by 12% between 2019 and 2030. In STEPS, growth in this period is now 9%, in DRS only 4%. As demand in advanced economies declines, all of the increase is coming from emerging and developing economies, led by India. Slower growth in energy demand is putting downward pressure on oil and gas prices compared to pre-crisis levels. Lower income growth restricts construction activity and reduces purchases of new appliances and cars, with the impact on living conditions concentrated mainly in developing countries.

Renewable energy is growing rapidly in all scenarios examined in the World Energy Outlook 2020, with solar energy at the centre of this new constellation of power generation technologies. The advance of renewables, especially solar, and the contribution of nuclear energy is much stronger in the Sustainable Development Scenario (SDS) and Net Zero Emissions by 2050 case (NZE2050). The pace of change in the power sector additionally requires robust grids. Electricity storage systems play an increasingly important role in ensuring the flexible operation of power systems. Power grids could prove to be a weak point in the transformation of the power sector, with implications for the reliability and security of electricity supply.

Global emissions will recover more slowly in 2020 than after the 2008-2009 financial crisis, according to the World Energy Outlook, but the world is still far from a sustainable recovery. The pandemic and its aftermath can dampen emissions, but low economic growth is not a strategy for low emissions. Only an acceleration of structural changes in the way the world produces and consumes energy can finally break the emissions trend. Nuclear energy can make its contribution to this.

Avoiding new emissions is not enough: If nothing is done about emissions from the existing infrastructure, climate targets will certainly be unattainable, according to the IEA's World Energy Outlook 2020. The transformation must go far beyond the energy sector. Electricity is taking an ever larger share of total energy consumption, and the increasing output of renewables and nuclear power is helping to reduce emissions from sectors - such as passenger transport - where electrification is cost-effective. The more difficult tasks for transforming the energy sector lie particularly in industrial sectors such as steel and cement, in long-distance transport and in balancing the many parallel changes taking place in a complex energy system.

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

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

In Germany, renewable energies accounted for around 45% of German electricity production in 2020. (Source: Federal Statistical Office, Gross electricity generation in Germany for 2018 to 2020). In a global comparison of industrialised countries, this is a considerable share. Nevertheless, Germany lags behind other industrialised countries in achieving its climate targets, for example France and Sweden, which use a mix of renewable energy, hydro power and nuclear energy. At the beginning of 2020, the German government admitted that Germany would not reach its climate targets (source: Regierungsgutachten prophezeien Verfehlen der Klimaziele, in: Die Welt, 5 March 2020). The reason for this lies, among other things, in the energy turnaround, the primary goal of which was to phase out nuclear energy and, secondly, the government's promotion of renewable energies such as wind and solar. In this respect, only one carbon-free energy source (nuclear energy) was replaced by another carbon-free energy source (wind and solar). However, with the phasing out of nuclear energy, Germany will also lose a source of energy with guaranteed output. In this respect, renewable energies have replaced nuclear energy in balance sheet terms, but without sufficiently available short- and long-term storage to balance grid fluctuations and to compensate for phases of low availability of electricity from renewable energies, they have not functionally replaced it (source: Dr Rainer Moormann and Dr Anna Veronika Wendland, Warum wir die deutschen Kernkraftwerke jetzt noch brauchen, 14 July 2020).

Insofar, only few countries will presumably take Germany's non-nuclear special path. On the contrary, other countries currently working at high pressure on building the nuclear power plants of the next generation. Worldwide, 53 nuclear power plants are built at present, notably in Asia. Reasons for this were amongst others air pollution and smog in India and China. New energy sources with less air pollution are needed for continuing the economic growth.

(b) Global market for nuclear energy and market for enrichment services

The COVID-19 crisis has impacted electricity markets and demand worldwide, although it is becoming increasingly clear that nuclear power has remained a reliable source of energy during this time. Some markets have been hit harder than others, with Europe seeing the largest year-on-year decline in nuclear power production. While there may be a corresponding small decline in our deliveries of enrichment services in the coming years, many utilities are using the reduced demand as an opportunity to drive maintenance programmes.

The worldwide demand for a continuous and safe supply with CO₂-low energy offers a growth opportunity for the nuclear power industry. Urenco-Group as well as Urenco Deutschland GmbH are in a good position to support this growth. However, the market requires a sustainable price structure in order to allow the necessary capital investments, so that Urenco-Group can continue to supply the market in the long term from its several enrichment sites.

Energy generation by means of wind and sun is changing the electricity industry but not fast enough to address the worldwide commitment, taken on the UN Climate Summit in Paris (also known as COP21), to limit the global warming to 2°C. This climate stabilisation targets needs the energy generation with nuclear power, which plays a significant role in the CO₂-low energy mix (source: World Nuclear News — “Clima target very difficult without nuclear, says IEA chief economist”).

The commitments taken on the UN Climate Summit in Paris promise a new impulse for the changeover to a more low-carbon and more efficient energy system but change nothing with regard to the rising global energy need. Driven by India, China, Africa, the Middle East and South-East Asia, the worldwide energy consumption will rise by 25% until the year 2040 (source: World Energy Outlook 2019; International Energy Agency, executive summary, page 1).

These developments demonstrate a sustainable need for nuclear energy, since this is worldwide seen as stable source for price-competitive low-carbon energy, which furthermore may contribute to a stable supply of load energy. Nuclear power currently provides approximately 10% of the world's energy needs; nuclear power is the second largest source of low-carbon electricity in the world (29% of the total in 2018) (source: WNA, Nuclear Power in the World Today, as of November 2020). Next to the rising energy need in future, the focus is primarily on clean air. According to the “World Energy Outlook 2019” of the IEA, the CO₂-poor energy sources will count for more than 50% of the entire power generation; whereby power from wind and solar energy is the number one but hydro power (15% of the total generation in 2040) and nuclear energy (8%) also count for major shares (source: IEA, World Energy Outlook 2019, executive summary, page 4).

There is a clear need for new generation capacity around the world, both to replace old fossil fuel plants, especially coal-fired plants that emit a lot of carbon dioxide, and to meet the increased demand for electricity in many countries. In 2018, 64% of electricity was generated by burning fossil fuels. Despite the strong support and growth of intermittent renewable sources of electricity in recent years, the share of fossil fuels in electricity generation has remained virtually unchanged over the last ten years (66.5% in 2005) (source: WNA, Nuclear Power in the World Today, as of November 2020).

At present, 53 nuclear power plants are under construction, corresponding to 15% (prior year: 15%) of the currently installed capacity:

	2020		2019	
	MWe	Number	MWe	Number
United States	2,500	2	5,000	4
France	1,650	1	1,750	1
Japan	2,756	2	2,756	2
China	17,253	16	11,095	11
Russia	2,510	2	4,903	4
South Korea	5,600	4	5,600	4
Ukraine	1,900	2	0	0
Great Britain	3,440	2	1,720	1
India	4,600	6	5,400	7
Rest	17,547	16	21,661	19
	<u>59.756</u>	<u>53</u>	<u>59.885</u>	<u>53</u>

Source: WNA, World Nuclear Power Reactors & Uranium Requirements, as of January 2021 and/or January 2020

Further 98 nuclear power plants are currently planned corresponding to about 26% (prior year: 30%) of the capacity installed at present.

	2020		2019	
	MWe	Number	MWe	Number
United States	2,550	3	2,550	3
Japan	1,385	1	1,385	1
China	43,085	39	49,810	43
Russia	21,380	21	25,810	24
Ukraine	0	0	1,900	2
Great Britain	3,340	2	5,060	3
India	10,500	14	10,500	14
Rest	20,267	18	22,667	20
	<u>102.507</u>	<u>98</u>	<u>119.682</u>	<u>110</u>

Source: WNA, World Nuclear Power Reactors & Uranium Requirements, as of January 2021 and/or January 2020

The global market for nuclear energy is inconsistent. The worldwide nuclear energy industry grows with higher number of nuclear power plants in Asia and here in particular in China. The number of nuclear power plants under construction and/or in planning is still on a high level. In contrast, we expect a stagnating and/or declining number of nuclear power plants in the U.S. and Europe due to early shut-downs.

North America (USA)

The United States have 94 operative nuclear reactors with a net capacity of 96.6 Gwe in total. In 2019, nuclear energy counted for 20% of the country's electricity. Sales to our North-American customers count for approx. 49% (prior year: 49%) of our entire supplies.

Four nuclear power plants were under construction but two of those were cancelled. One of the reasons for the interruption of construction of the new building in the United States was the very successful development of the maintenance strategies. In the last 15 years, the improved operating performance has increased the capacity load of the American nuclear power plants, whereby the increased performance corresponds to the construction of 19 new 1000-MWe nuclear power plants.

In 2016, the country's first new nuclear reactor in 20 years went into operation. Nevertheless, the number of operative reactors declined in the last years from a record number of 104 in the year 2012. The early shut-down arose from a combination of factors as cheap natural gas, market liberalisations, over-subsidization of renewable energies and political campaigns (source: WNA, Nuclear Power in the World Today, as of November 2020).

One day after his inauguration on 20 January 2021, US President Joseph Biden formally signed an executive order to re-enter the Paris Climate Agreement, directing US departments and federal agencies to "begin work immediately to address the climate crisis". Back in November 2020, then-President-elect Biden released his climate change priorities, with an ambition to achieve a carbon pollution-free energy sector by 2035, and signalled the new administration's support for existing low-carbon sources, including nuclear, and for the development of advanced nuclear technology (Source: World-Nuclear-News, Biden Administration prioritises climate on first day, 21 January 2021).

South America

Argentina has three reactors with a total net capacity of 1.6 GWe. In the year 2019, the country generated 6% of its energy from nuclear power. Brazil has two reactors with a net capacity of 1.9 Gwe in total. In the year 2019, the country generated 3% of its energy from nuclear power (source: WNA, Nuclear Power in the World Today, as of November 2020).

In South America, we will continue to foster our long-term relations with our customers in Brazil. Also in this region we see growth opportunities for Urenco.

Asia

China has 49 (prior year: 47) operative nuclear reactors with a net capacity of 46,5 GWe in total. In 2019, nuclear power generated 5% of the country's electricity, which means it continues to dominate the market for the construction of new nuclear power plants. At the beginning of 2020, 16 of the 53 reactors that are worldwide under construction are located in China. In 2018, China was the first country that ordered two new designs for nuclear power plants. China starts with the export marketing of Hualong One, a mostly domestic reactor design. The strong impulse for the development of new nuclear power in China was caused by the necessity to improve the urban air quality and to reduce the greenhouse gas emissions. The government's stated long-term goal, as outlined in the Energy Development Strategy Action Plan 2014-2020, is a capacity of 58 GWe by 2020, with a further 47 GWe already in operation and another 17 GWe under construction (Source: WNA, Nuclear Power in the World Today, as of November 2020).

The nuclear fuel cycle industry is more and more directed to the growth markets in Asia and here in particular in China. The opportunities of future development are seen in the fact that enrichment imports could play a major role on the Chinese market in the upcoming years. To participate in these growth opportunities, Urenco-Group has already opened its first sales office in Beijing, China, in October 2019 as part of "Our Strategy".

Japan has 33 operative nuclear power plants with a total net capacity of 31.7 GWe. At the beginning of 2020, only nine reactors have started operations again, further 17 are still in the approval process after the Fukushima accident in the year 2011. In the past, 30% of the electricity of the country originated from the nuclear power, while in 2019, this share was only 8% (prior year 6%)(source: WNA, Nuclear Power in the World Today, version dated November 2020).

The schedule for the restart of the sundry Japanese nuclear power plants is still uncertain. This has already led to increasing stocks worldwide and we anticipate a further lasting price pressure for enrichment services.

South Korea has 24 operative nuclear power plants with a total net capacity of 23.2 GWe. In 2019, nuclear energy counted for 26% (prior year: 24%) of the country's electricity. South Korea has four new domestic reactors as well as three under construction in the United Arab Emirates. Two further reactors are planned, thereafter the energy policy is uncertain. The country also participates in intensive research about future reactor concepts (source: WNA, Nuclear Power in the World Today, as of November 2020).

In South Korea, we will further foster our long-term relations with our customers. Also in this region we see growth opportunities for Urenco.

India has 22 operative nuclear power plants with a total net capacity of 6.8 GWe (prior year: 6.3 GWe). In 2019, like in the prior year, nuclear energy counted for 3% of the country's electricity. The Indian government obliged to expand its nuclear power capacity within the scope of its massive program for developing the infrastructure. In 2010, the government set the ambitious target to have a nuclear power capacity of 14.6 GWe until 2024. In 2020, one reactor went into operation and another six reactors with a total capacity of 4.6 GWe are under construction in India (Source: WNA, Nuclear Power in the World Today, as of November 2020 and WNA, World Nuclear Power Reactors & Uranium Requirements, as of January 2021).

Europe

The European market is varied and is continuously further developing. At present, 442 nuclear power plants are worldwide under operation, thereof 180 (prior year: 182) and/or about 41% in Europe.

Belgium has seven operative nuclear power plants with a total net capacity of 5.9 GWe. In 2019, nuclear energy counted for 48% (prior year 39%) of the country's electricity (source: WNA, Nuclear Power in the World Today, as of November 2020).

Finland has four operative nuclear power plants with a combined net capacity of 2.8 GWe. In 2019, nuclear energy counted for 35% (prior year: 32%) of the country's electricity. A fifth reactor with a capacity of 1,720 MWe is under construction and there are plans for the construction of a Russian reactor at a new site (Hanhikivi) (source: WNA, Nuclear Power in the World Today, as of November 2020).

France has 56 (prior year: 58) operative nuclear power plants with a total net capacity of 61.4 GWe (prior year: 63.1 GWe). In 2019, nuclear energy counted for 71% (prior year: 72%) of the country's electricity. In 2015, the country's energy policy aimed to reduce the share of nuclear power generation to 50% until 2025. This target was now delayed to the year 2035. The Energy Minister of the country says that this target is not realistic and would increase the carbon dioxide emissions of the country and would threaten the security of supply and workplaces. In France, one reactor with a capacity of 1,650 MWe is currently build in Flamanville (source: WNA, Nuclear Power in the World Today, as of November 2020).

In Germany, six nuclear power plants with a total net capacity of 8.1 GWe are still operated. In 2019, nuclear energy counted for 13% (prior year: 12%) of the country's electricity. Germany will phase out nuclear energy within the scope of the energy revolution policy until 2022. The energy transition, widely described as the most ambitious national policy to mitigate climate change, has yet to deliver significant reductions in carbon dioxide (CO₂) emissions.

In 2011, the year after introducing this policy, Germany disclosed emissions of 731 million t CO₂ from the combustion of fuels; in 2018 the country had emissions of 677 million t CO₂ and was thus the seventh-largest CO₂ emitter worldwide. German government assumes that it will miss its target of a 40% reduction of the emissions compared to the level of 1990 by far (source: WNA, Nuclear Power in the World Today, as of November 2020) By 2018, a roughly 28% reduction in emissions had been achieved compared to 1990 levels (source: Federal Environment Agency, National Trend Tables for German Reporting of Atmospheric Emissions since 1990, Emissions Development 1990 to 2018, as of 12/2019), even though the share of electricity generation from renewable energies in total gross electricity consumption increased from 3% in 1990 to 38% in 2018. The reason for the non-linear reduction in emissions is the substitution of one carbon-free energy source (nuclear energy) by the other carbon-free energy source (renewable energies).

Spain has seven operative nuclear power plants with a net capacity of 7.1 GWe in total. In 2019, nuclear energy counted for 21% of the country's electricity (source: WNA, Nuclear Power in the World Today, as of November 2020).

Sweden has six (prior year: seven) operative nuclear power plants with a total net capacity of 6.9 Gwe (prior year: 7.6 GWe). In 2019, nuclear energy counted for 34% (prior year: 40%) of the country's electricity. Sweden is shutting down some older reactors, but has invested heavily in extending operating life and increasing power (source: WNA, Nuclear Power in the World Today, as of November 2020).

Switzerland has four operative nuclear power plants with a total net capacity of 3.0 GWe. In 2019, nuclear energy counted for 24% (prior year: 38%) of the country's electricity (source: WNA, Nuclear Power in the World Today, as of November 2020).

Like in the prior year, Great Britain has 15 operative nuclear power plants with a net capacity of 8.9 GWe. In 2019, nuclear energy counted for 16% (prior year: 18%) of the country's electricity. An energy paper of the British government from mid-2006 supports the replacement of the ageing nuclear reactor fleet of the country with newly build nuclear power plants. The construction of the the first plants of a new generation started (source: WNA, Nuclear Power in the World Today, as of November 2020).

Like in the prior year, the Czech Republic has six operative nuclear power plants with a total net capacity of 3.9 GWe. In 2019, nuclear energy counted for 35% of the country's electricity (source: WNA, Nuclear Power in the World Today, as of November 2020).

In the Czech Republic, on 25 March 2020, after five years of preparation, the Czech electricity utility CEZ applied to the State Office for Nuclear Safety (SUJB) for permission to build one or two new nuclear power plant units at the existing Dukovany nuclear energy site in southern Moravia. The application, which opens the licensing procedure according to the Czech Atomic Energy Act, aims to build up to 2.4 gigawatts of installed electrical capacity.

The majority state-owned company is thus taking the first step towards implementing the State Energy Policy of the Czech Republic adopted in 2015, the National Action Plan for the Development of Nuclear Energy in the Czech Republic and the National Climate and Energy Plan of the Czech Republic published on 14 January 2020 and submitted to the European Commission. These strategic documents envisage increasing the share of nuclear energy in Czech electricity generation from 29 per cent (2016) to 46-58 per cent in order to reduce CO₂ emissions, maintain or increase security of supply and energy independence, and maintain the long-term competitiveness of the Czech energy supply. Possible new climate and energy policy targets are to be taken into account in the approval process (source: KernD Brancheninfo 03/2020 of 30 March 2020).

The Czech Republic is thus also taking the first concrete steps to join the ranks of those European countries that are relying on nuclear energy in addition to renewable energies to achieve climate targets in the still valid energy industry target triangle.

Like in the prior year, Russia has 38 operative nuclear power plants with a total net capacity of 28.6 GWe (prior year: 29.2 GWe). In 2019, nuclear energy counted for 20% (prior year: 18%) of the country's electricity. In 2016, a government resolution was taken on the construction of 11 nuclear power plants until 2030 in addition to the ones already under construction. At the beginning of 2020, two reactors with a total capacity of 2.5 GWe were under construction in Russia. The strength of the Russian nuclear industry is reflected in its dominance of export markets for new reactors. The country's national nuclear industry is currently involved in new reactor projects in Belarus, China, Hungary, India, Iran and Turkey, and to varying degrees as an investor in Algeria, Bangladesh, Bolivia, Indonesia, Jordan, Kazakhstan, Nigeria, South Africa, Tajikistan and Uzbekistan, among others (Source: WNA, Nuclear Power in the World Today, as of November 2020).

Like in the prior year, the Ukraine has 15 operative nuclear power plants with a total net capacity of 13.1 GWe. In 2019, nuclear energy counted for 54% (prior year: 56%) of the country's electricity (source: WNA, Nuclear Power in the World Today, as of November 2020).

In April 2018, the Turkey started the construction of its first nuclear power plant, which shall become operative in 2023 (source: WNA, Nuclear Power in the World Today, as of November 2020).

South Africa

South Africa has two operative nuclear power plants with a total net capacity of 1.9 GWe and is the only African country that is currently generating electricity from nuclear energy. In 2019, nuclear energy counted for 7% (prior year: 5%) of the country's electricity. South Africa is sticking to plans for more capacity, but funding constraints are significant (source: WNA, Nuclear Power in the World Today, as of November 2020).

Middle East, North Africa and Asia

The Middle East, North Africa and Asia show a strong growth potential.

Indonesia, Malaysia and Thailand plan nuclear power programs. Bangladesh has contracts with Russia for the construction of the first nuclear power plant. Kazakhstan with its rich uranium deposits is narrowly cooperating with Russia in the development and export of new and smaller reactors. Saudi-Arabia, Jordanian and Egypt aim to use the nuclear power for power generation and desalination. Nigeria asked the IAEA for support in developing a plan for two reactors (source: WNA, Nuclear Power in the World Today, as of February 2018).

The United Arab Emirates reached the first criticality of Unit 1 of the Barakah plant, with a capacity of 1.3 GWe, on 31 July 2020. The first criticality is a step towards reaching commercial operation, which is planned for next year. A further three South Korean 1,450 MWe reactors are under construction. The investment volume is over BUSD 20 and the United Arab Emirates is working closely with the International Atomic Energy Agency and experienced international companies.

Urenco-Group is a provider for enrichment services for the nuclear power plants in the United Arab Emirates.

New markets

About 30 countries are considering, planning or launching nuclear power programmes. These range from highly developed economies to developing countries. Belarus, Bangladesh and Turkey are all building their first nuclear power plants. Another 20 countries have expressed interest in starting nuclear power plant programmes at some point (Source: WNA, Emerging Nuclear Energy Countries, as of November 2020).

The United Arab Emirates are a good example how the new markets may take the way to nuclear power. In the United Arab Emirates, a nuclear power plant is in operation at the Barakah site, another three nuclear power plants are under construction and the Urenco Group is one of the suppliers for the long-term supply of nuclear fuel to these plants. As of November 2020, nuclear power plants are under construction in 18 countries. Further seven countries that have so far not used nuclear power plan or think about the construction of new nuclear power plants, amongst those countries such as Poland or the Turkey (source: WNA, World Nuclear Power Reactors & Uranium Requirements, as of January 2021).

Despite the large number of these emerging countries, they are not expected to contribute much to the expansion of nuclear power capacity in the foreseeable future - the main growth will take place in countries where the technology is already well established. In the longer term, however, the trend towards urbanisation in the less developed countries will greatly increase the demand for electricity, especially that supplied by base-load power plants such as nuclear. The pattern of energy demand in these countries will become more similar to that of Europe, North America and Japan (Source: WNA, Emerging Nuclear Energy Countries, as of November 2020).

Based on the worldwide increasing demand for CO₂-low energy, we are confident in the long term that the demand for nuclear power will further rise, in particular in the new markets like China and India. We remain confident that the global nuclear power will further grow over the next 25 years and that Urenco-Group remains a competent and reliable partner for our worldwide customers.

Market opportunities

New market opportunities are in particular expected in the quickly developing countries in the Middle East, India, China as well as South-East Asia. Urenco has sufficient separation work capacities to offer its services also to an expanded group of customers. Urenco is guaranteeing the same high operating standards and the same engagement to these customers as to its existing customers. Due to the realisation of “Our Strategy” we see ourselves well positioned to participate in these growth opportunities.

Demanding market conditions

The market conditions are still difficult and the current price level would not support a reinvestment in our enrichment services. Urenco-Group's order book extends into the 2030s with a value of approximately bEUR 9.0 based on EUR/USD of 1:1.22 (prior year: bEUR 10.6 based on EUR/USD of 1:1.12), which ensures visibility and financial stability of future revenues and provides us with protection from the currently prevailing market challenges and pricing pressure in the short and medium term.

It is expected that the global nuclear power industry will further grow and that new reactors will be erected. Nuclear energy plays an important role in covering an increasing demand for payable electricity from reliable and carbon-low sources to achieve important climate protection targets.

Urenco-Group and Urenco Deutschland GmbH are in a good position to support this growth and to meet the changing needs of our customers with our portfolio of products and services, know-how and technology.

However, we still expect demanding conditions on the worldwide market for nuclear fuels due to existing overcapacities in the market for enrichment services. This has already led to increasing stocks around the world and we anticipate a further lasting price pressure for enrichment services. In response to these market conditions and the rising worldwide stocks, Urenco-Group is increasingly saving the resource natural uranium.

Nevertheless, in the medium term, we benefit from the strong order backlog of Urenco-Group. The present order backlog of about bEUR 9.0 in particular leads to an optimised capacity load of the Urenco facilities in the next years and thus guarantees a sufficient planning reliability for the strategic orientation of the Company. Urenco Deutschland GmbH participates in the total supplies of the Group in line with its production rate.

On account of the lasting market uncertainties, we expect a declining revenue as well as a lower operative result in the upcoming financial year.

(c) Financial and non-financial performance indicators

With regard to the non-financial performance indicator "Fulfilment of supply commitments (in quality on time in full)", URENCO Deutschland GmbH plans a 100% target achievement also in the financial year 2021. In addition, it plans to produce 3,700 t UTA (financial performance indicator) of separation work in the 2021 financial year.

(d) Outlook

In many countries, nuclear power is still playing an important role in a balanced energy mix for a growing worldwide population. We like to make our contribution to this reliable energy option. Already today, Urenco Deutschland GmbH and its sister firms supply more than every fourth nuclear power plant with nuclear fuel. With its four enrichment plants in four different countries under four different legal systems, Urenco will continue to play a decisive role in the provision of enrichment services.

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

Future opportunities arise from the further decarbonisation required to mitigate climate change and meet commitments made in the context of the Paris Agreement. It is well known that a mix of renewables and nuclear is needed to meet future emissions targets. It is important that nuclear energy complements renewables in the future energy mix, as it is the only proven technology that continuously delivers low-carbon energy. The nuclear industry needs a cost-effective and diverse supply of uranium enrichment services as an integral part of the nuclear fuel cycle. Urenco plays a key role in providing these services as a leading nuclear services company that has been operating safely and reliably for 50 years.

We will also aim in future to expand our experience and our competitive advantage from 50 years in the operation of uranium enrichment plants.

Urenco is convinced that nuclear energy will be required also in future as sustainable global energy source. We are proud to make our contribution to this reliable energy option. Thanks to our strategic new orientation we remain confident to keep a leading position on the global enrichment market and to remain a reliable, long-term partner for the industry.

This is what we call "The Energy to Succeed".

Gronau/Germany, 31 March 2021

Urenco Deutschland GmbH

Dr Joachim W. Ohnemus

Urenco Deutschland GmbH, Gronau/Germany

Balance sheet as at 31 December 2020

Assets				31 Dec. 2019	Equity and Liabilities				31 Dec. 2019
	cf. Notes	EUR	EUR	EUR		cf. Notes	EUR	EUR	EUR
A. Fixed assets	(1)				A. Equity				
I. Intangible fixed assets					I. Subscribed capital		56,250,000.00		56,250,000.00
Acquired concessions, industrial rights and similar rights and assets as well as licenses in such rights and assets			7,339,423.04	6,403,203.58	II. Capital reserves		12,443,450.58		12,443,450.58
II. Property, plant and equipment					III. Net retained profits	(5)	<u>88,483,037.08</u>		<u>180,415,374.83</u>
1. Land and buildings		112,489,910.40		117,314,868.72				<u>157,176,487.66</u>	<u>249,108,825.41</u>
2. Technical equipment and machinery		116,446,091.60		173,747,124.23	B. Provisions				
3. Other equipment, operating and office equipment		24,254,499.03		23,968,006.35	1. Provisions for pensions	(7)	25,610,104.00		23,769,487.00
4. Prepayments made and assets under construction		<u>23,815,937.29</u>		<u>20,631,675.61</u>	2. Tax provisions		12,584,372.18		5,150,437.00
			277,006,438.32	335,661,674.91	3. Other provisions	(8)	<u>478,935,951.52</u>		<u>513,012,699.11</u>
								<u>517,130,427.70</u>	<u>541,932,623.11</u>
III. Long-term financial assets	(2)				C. Liabilities	(9)			
1. Shares in affiliated companies		25,001.00		25,001.00	1. Payments received on account of orders		17,066,978.11		17,333,514.97
2. Other loans		<u>141,582.19</u>		<u>172,518.14</u>	2. Trade payables		629,334.32		2,494,973.88
			166,583.19	<u>197,519.14</u>	3. Liabilities to affiliated companies		39,686,249.26		401,596,894.68
			<u>284,512,444.55</u>	<u>342,262,397.63</u>	4. Sundry liabilities		<u>932,820.11</u>		<u>1,069,763.33</u>
								<u>58,315,381.80</u>	<u>422,495,146.86</u>
B. Current assets									
I. Inventories									
1. Raw materials, consumables and supplies		5,758,139.81		5,403,156.89					
2. Finished goods and merchandise		<u>336,077,107.15</u>		<u>304,480,715.06</u>					
			341,835,246.96	309,883,871.95					
II. Receivables and other current assets	(3)								
1. Trade receivables		42,060,648.32		45,245,432.05					
2. Receivables from affiliated companies		3,215,250.00		399,318,250.25					
3. Other assets		<u>4,474,364.94</u>		<u>51,853,363.42</u>					
			49,750,263.26	496,417,045.72					
III. Cash-in-hand and bank balances									
			<u>52,464.75</u>	<u>50,064.53</u>					
			<u>391,637,974.97</u>	<u>806,350,982.20</u>					
C. Prepaid expenses			<u>83,748.64</u>	<u>84,516.55</u>					
D. Deferred tax assets	(4)		<u>56,388,129.00</u>	<u>64,838,699.00</u>					
			<u>732,622,297.16</u>	<u>1,213,536,595.38</u>				<u>732,622,297.16</u>	<u>1,213,536,595.38</u>

Statement of profit and loss for the financial year 2020

	cf. Notes	EUR	EUR	EUR	2019 EUR
1. Revenue	(14)		406,278,503.79		431,437,426.67
2. Increase in finished goods inventories			28,217,245.84		11,444,194.99
3. Other own work capitalised	(15)		1,679,706.17		1,786,766.17
4. Other operating income	(16)		160,042,975.59		169,553,122.47
5. Cost of materials					
a) Cost of raw materials, consumables and supplies and of purchased merchandise		50,575,085.09		54,113,218.59	
b) Cost of purchased services		<u>17,084,924.48</u>	67,660,009.57	<u>54,624,759.71</u>	108,737,978.30
6. Personnel expenses	(17)				
a) Wages and salaries		23,090,983.82		22,635,265.66	
b) Social security, post-employment costs and other employee benefit costs		<u>5,709,519.23</u>	28,800,503.05	<u>4,912,185.61</u>	27,547,451.27
7. Amortisations and depreciations					
a) on intangible fixed assets and on property, plant and equipment	(1)	72,351,594.09		78,225,207.71	
b) on assets classified as current assets to the extent it exceeds the depreciation common within the business corporation	(18)	<u>5,761,414.50</u>	78,113,008.59	<u>0.00</u>	78,225,207.71
8. Other operating expenses	(19)		239,039,596.74		224,252,897.67
9. Income from long-term equity investments	(20)		2,830,000.00		0.00
10. Other interest and similar income	(21)		2,962,196.00		1,264,220.50
11. Interest and similar expenses	(22)		31,534,334.87		32,642,105.03
12. Taxes on income	(23)		<u>88,598,426.50</u>		<u>44,699,140.82</u>
13. Earnings after taxes			68,264,748.07		99,380,950.00
14. Other taxes			<u>197,085.82</u>		<u>201,085.82</u>
15. Profit for the period			68,067,662.25		<u>99,179,864.18</u>
16. Retained profits brought forward from prior year	(24)		67,815,374.83		
17. Profit distribution in advance			<u>47,400,000.00</u>		
18. Net retained profits			<u>88,483,037.08</u>		

Urenco Deutschland GmbH, Gronau/Germany

Notes to the financial statements for the financial year 2020

General information

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

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

The nature-of-expense format was applied to the statement of profit and loss.

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

Measurement and recognition policies

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

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

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

The property, plant and equipment are depreciated over the respective useful life of the individual assets. In the past, the declining-balance method was used in single cases for moveable assets. The changeover to the straight-line depreciation method was made in the year, in which the straight-line method for the first time led to higher annual depreciations. The sundry assets are depreciated on a straight-line basis.

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

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

The **inventories** are recognised at acquisition and production costs or at lower daily values.

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

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

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

Prepaid expenses and deferred income are recognised in line with the relevant provisions under commercial law.

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

The **provisions for pensions** are determined under using the projected unit credit method (PUC method) based on the 2018 G Standard Tables of Prof. Dr Klaus Heubeck. For the discounting, the Company generally used the average market interest rate at a residual term of 15 years of 2.30% (forecasting method based on the data of the German Central Bank; as of 31 December 2020) in accordance with the RückAbzinsV from 18 November 2009. The computation interest rate of 2.30% is based on the ten-year average pursuant to Sec. 253 (2) sentence 1 HGB in the version applicable as a result of the Act on the Further Development of Reorganisation and Insolvency Law of 22 December 2020. The computation interest rate based on the seven-year average for determining the difference pursuant to Sec. 253 (6) HGB is 1.60%. Expected salary rises were considered with 3.00%, pension adjustments with 1.50% and the employee turnover with 1.00%.

The **tax provisions** and **other provisions** take into account all uncertain liabilities and potential losses from pending transactions. They are recognised at settlement amounts (i.e. including future cost and price rises) based on sound business judgement. The cost and price rises were determined on the basis of future inflation expectations and/or available cost estimations. Provisions with a residual term of more than one year were discounted with the average market interest rate of the past seven years (computation interest rate) corresponding to their residual term. The commitments arising from long-service awards are discounted with the average market interest rate (1.60%) 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 reporting date. Like in the prior year, all assets and liabilities denominated in foreign currencies have a residual term of up to one year.

Notes to the balance sheet

(1) Fixed assets

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

(2) Long-term financial assets

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

List of shareholdings

Name and location	Currency	Investment %	Equity in kEUR	Result of the last financial year in kEUR
Enrichment Technology Company Ltd., Capenhurst/UK	EUR	28.3	77,715 ¹⁾	12,445 ¹⁾
Urenco Logistics GmbH, Gronau/Germany	EUR	100.0	25 ¹⁾	0 ¹⁾

¹⁾ The information refers to the financial year 2019.

The exchange rates as at 31 December 2020 can be analysed as follows:

GBP 1 = EUR 1.11663

(3) Receivables and other current assets

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

Like in the prior year, the receivables from affiliated companies are all due within one year and again fully relate to intragroup trade.

The other assets include assets with a residual term of more than one year of kEUR 1,555 (prior year: kEUR 1,867).

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

The other current assets can be analysed as follows:

	31 Dec. 2020	31 Dec. 2019
	kEUR	kEUR
Receivables from		
VAT	2,115	3,087
Income taxes	242	41,834
Interest according to Sec. 233a AO	0	4,780
Prepayments made for commissions	1,555	1,867
Sundry	562	285
	<u>4,474</u>	<u>51,853</u>

(4) Deferred tax assets

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

	31 Dec. 2020	31 Dec. 2019
	kEUR	kEUR
Deferred tax assets on differences		
for values recognised in the balance sheet for		
Land	249	249
Technical equipment and machinery	119	135
Prepaid expenses	6	6
Provisions for pensions	3,419	3,002
Other provisions	77,029	77,094
	<u>80,822</u>	<u>80,486</u>
Netting with deferred tax liabilities on		
differences for values recognised in the balance sheet for		
finished goods and merchandise	-24,434	-15,647
Deferred tax assets, net	<u>56,388</u>	<u>64,839</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) Net retained profits

The net retained profits include a profit carry forward of kEUR 67,815 (prior year: kEUR 81,236); for the rest, we refer to the statements made under (6) Payout block as well as to the explanations made in (24) Profit distribution to the shareholders/appropriation of profit.

(6) Payout block

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

	31 Dec. 2020 kEUR	31 Dec. 2019 kEUR
Provisions for pensions		
Difference in acc. with Sec. 253 (6) HGB	2,960	2,918
Capitalisation of deferred taxes	56,388	64,839
	<u>59,348</u>	<u>67,757</u>

(7) Provisions for pensions

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

	31 Dec. 2020 kEUR	31 Dec. 2019 kEUR
Provision for pensions		
ten-year average computation	25,610	23,769
Provision for pensions		
seven-year average computation	28,570	26,687
Difference	<u>-2,960</u>	<u>-2,918</u>

(8) Other provisions

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

The other provisions can be analysed as follows:

	31 Dec. 2020	31 Dec. 2019
	kEUR	kEUR
Commitments from the waste disposal of depleted uranium	263,227	308,916
Commitments from long-service awards	1,243	1,250
Commitments from the closure and waste disposal of plant components	136,467	119,193
Proportionate costs for container scrapping	58,837	42,504
Subsequent invoices and other performance obligations	8,471	13,092
Proportionate group costs	1,529	1,823
Impending losses from pending transactions (derivative financial instruments)	6,735	23,657
Pension provisions (e.g. vacation, flextime, profit participation etc.)	2,427	2,578
	<u>478,936</u>	<u>513,013</u>

The provisions for proportionate group cost (kEUR 1,529; prior year: kEUR 1,823) constitute commitments towards affiliated companies. The item "Subsequent invoices and other performance obligations" include commitments towards affiliated companies of kEUR 3,574 (prior year: kEUR 6,000).

(9) Liabilities

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

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

The liabilities to affiliated companies include liabilities from loans of kEUR 0 (prior year: kEUR 400,000) as well as liabilities from current clearing accounts of kEUR 39,686 (prior year: kEUR 1,597).

Other liabilities of kEUR 346 (prior year: kEUR 346) relate to taxes and of kEUR 45 (prior year: kEUR 41) to social security.

Statement of changes in liabilities

	31 Dec. 2020			Total
	Up to one year kEUR	One to five years kEUR	More than five years kEUR	kEUR
1. Payments received on account of orders	15,231	1,836	0	17,067 ¹⁾
2. Trade payables	629	0	0	629 ¹⁾
3. Liabilities to affiliated companies	39,686	0	0	39,686 ¹⁾
4. Sundry liabilities	527	406	0	933 ¹⁾
	<u>56,073</u>	<u>2,242</u>	<u>0</u>	<u>58,315</u>

	31 Dec. 2019			Total
	Up to one year kEUR	One to five years kEUR	more than five years kEUR	kEUR
1. Payments received on account of orders	14,958	2,375	0	17,333 ¹⁾
2. Trade payables	2,495	0	0	2,495 ¹⁾
3. Liabilities to affiliated companies	401,597	0	0	401,597 ¹⁾
4. Sundry liabilities	528	542	0	1,070 ¹⁾
	<u>419,578</u>	<u>2,917</u>	<u>0</u>	<u>422,495</u>

Type of collateral

¹⁾ no collaterals

(10) Contingent liabilities

The Company discloses contingent liabilities from financing framework agreements closed with Urenco-Group of bEUR 1.9 (prior year: bEUR 2.1). The purpose and advantage are the assurance of sufficient financing options for Urenco-Group, notably for additional capital investments for maintaining the enrichment capacities what will be reflected in the revenue figures. A part of the funds is provided to Urenco Deutschland GmbH in form of a loan from affiliated companies for its own investing and operating activities. The risk is the use on part of the creditor in case the affiliated companies are not able to meet their commitments from the financing agreement. On account of the positive economic and financial situation of Urenco-Group, Deutschland GmbH is not seeing any risk of drawing at present.

(11) Other financial commitments

Next to the contingent liabilities, the existing purchase commitment leads to future commitments for the operation (mEUR 24.8) and for the further strengthening of the enrichment plant and replacement investments (mEUR 5.3) of mEUR 30.1 in total. Of these commitments, an amount of mEUR 0.0 relates to affiliated companies.

Furthermore, a purchase commitment exists for entire URENCO-Group as regards production plants and the therewith connected services (e.g. maintenance, repair). The share relating to Urenco Deutschland GmbH is principally measured on the basis of the replacement need of the Company and amounts to mEUR 10.0 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.

(12) Derivative financial instruments

Within the scope of the central marketing, the parent company entered into currency hedges for hedging currency fluctuations. The thereof resulting income and expenses are passed on to Urenco Deutschland GmbH.

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

Type/category	Nominal volume	Fair value
	kEUR	kEUR
Currency-related business in USD	238,235	-6,735

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

The Company has set up a provision for impending losses from pending transactions in the amount of the fair value of kEUR 6,735 as of balance sheet date for not yet realised losses from currency hedges. This provision is disclosed under the other provisions.

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

(13) Business with related parties

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

Notes to the statement of profit and loss

(14) Revenue

	2020		2019	
	mEUR	%	mEUR	%
Sales revenues				
- by service lines				
Enrichment services	406.3	100.0	431.4	100.0
- by regions				
Germany	4.1	1.0	4.4	1.0
Sundry EU countries	121.5	29.9	140.4	32.6
Third countries	280.7	69.1	286.6	66.4
	406.3	100.0	431.4	100.0

(15) Other own work capitalised

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

(16) Other operating income

The other operating income can be analysed as follows:

	2020 kEUR	2019 kEUR
Income from release of provisions		
for uncertain liabilities	142,090	166,310
for impending losses from pending financial instruments	16,922	0
Income from currency translation/ exchange gains	1,031	2,512
Income from intragroup services	0	729
Gain from disposal of fixed assets	0	2
	<u>160,043</u>	<u>169,553</u>

The income from the reversal of provisions as well as, in the prior year, the income from intragroup services are classified as income from other periods.

(17) Personnel expenses

The personnel expenses can be analysed as follows:

	2020 kEUR	2019 kEUR
Wages and salaries	23,091	22,635
Social security	3,610	3,354
Post-employment costs	2,100	1,558
	<u>28,801</u>	<u>27,547</u>

(18) Depreciation on current assets to the extent it exceeds the depreciation usual within the business corporation

Depreciation on current assets relates to interest capitalised in prior years in accordance with Sec. 233a AO and represents expenses unrelated to the accounting period.

(19) Other operating expenses

The other operating expenses can be analysed as follows:

	2020 kEUR	2019 kEUR
Expenses for commitments from the waste disposal of depleted uranium	123,073	124,399
Legal and consultancy fees as well as services of third parties	2,540	2,707
Insurances	2,512	2,690
Maintenance costs	4,270	4,501
Surveillance costs as well as safety-related monitoring	3,746	3,607
Expenses for commitments from the closure and waste disposal of plant components	18,611	7,933
Proportionate group-wide commitments for scrapping of containers	18,884	1,383
Transfer of realised expenses from currency hedges for hedging fluctuations in exchange rates on part of the parent company	9,880	5,600
Additions to provisions for impending losses from pending financial instruments	0	13,573
Exchange losses/expenses from currency translation	2,213	2,888
Fee for commercial services of Urenco Enrichment Company Ltd.	31,094	32,975
Proportionate costs of Urenco-Group	9,853	8,072
Sundry	12,364	13,925
	<u>239,040</u>	<u>224,253</u>

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

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

(20) Income from long-term equity investments

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

(21) Other interest and similar income

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

	2020 kEUR	2019 kEUR
Interest income from affiliated companies	0	0
Sundry	2,962	1,264
	<u>2,962</u>	<u>1,264</u>

The interest and similar income includes income from other periods of kEUR 2,331 (prior year: kEUR 0). Income from other periods relate to interest in accordance with Sec. 233a AO.

(22) Interest and similar expenses

The interest and similar expenses can be analysed as follows:

	2020 kEUR	2019 kEUR
Interest expenses to affiliated companies	19,878	19,592
Interest expense in accordance with Sec. 277 (5) sentence 1 HGB (accumulation of interest on provisions)	9,642	13,025
Sundry	2,014	25
	<u>31,534</u>	<u>32,642</u>

Interest and similar expenses include expenses from other periods of kEUR 1,253 (prior year: kEUR 0). The expenses from other periods relate to interest in accordance with Sec. 233a AO.

(23) Taxes on income

The taxes on income can be analysed as follows:

	2020 kEUR	2019 kEUR
Taxes on income		
for the current financial year	44,105	31,273
for prior years	36,042	252
Income from the variance in accounted deferred taxes		
for the current financial year	8,451	13,196
for prior years	0	-22
	<u>88,598</u>	<u>44,699</u>

The taxes on income and profit for prior years are mainly due to the conclusion of an advance pricing agreement between the Federal Central Tax Office, the Dutch Ministry of Finance and British HM Revenue & Customs in 2020.

(24) Profit distribution to the shareholder / appropriation of profits

The profit distribution to the shareholder can be analysed as follows:

	2020 kEUR	2019 kEUR
Profit distribution for the past financial year	112,600	0
Advance profit distribution for the current financial year	<u>47,400</u>	<u>0</u>
	<u>160,000</u>	<u>0</u>

Management proposes to carry forward onto new account the net retained profits that remain after the advance profit distribution for the current financial year in an amount of EUR 88,483,037.08. For the rest, we refer to the explanations on (6) payout block.

Other disclosures

Advisory board

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

Boris Schucht, Chief Executive Officer of Urenco Ltd., (until 24 August 2020)
Stoke Poges/UK
(Chairman)

Christopher Chater, Chief Technology Officer of Urenco Ltd.,
Stoke Poges/UK
(Deputy Chairman, Chairman as from 24 August 2020)

David Eric Sexton, Chief Operating Officer of Urenco Ltd., (as from 24 August 2020)
Stoke Poges/GB
(Deputy Chairman)

The advisory board is not receiving any remuneration from Urenco Deutschland GmbH.

Management

Dr Joachim W. Ohnemus, Gronau/Germany, employed in full time as manager/managing director at URENCO Deutschland GmbH.

Total remuneration paid to management

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

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

The total remuneration paid to former members of management amounted to kEUR 57 in the financial year 2020. The provision set up for current and future pensions amounts to kEUR 1,068.

Holder of power of "Prokura"

Collective power of "Prokura" together with a managing director:

Dirk Kalwei, head of Finance

Employees

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

	Number
Production	97.00
Technology	77.00
Supervision	38.00
Projects	14.25
Decommissioning	3.00
Logistics	21.50
Administration	32.25
	<u>283.00</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.

Urenco Deutschland GmbH had not been obliged to prepare consolidated financial statements under German law as at 31 December 2020, since - due to the minor significance - the majority interest in Urenco Logistics GmbH, Gronau/Germany is not consolidated (Sec. 290 (5) in connection with Sec. 296 (2) S. 1 HGB).

Audit and consultancy fees

The total fee billed by the annual auditor for provided audit services in the financial year amounts to kEUR 88.

Report on major post-balance-sheet-date events

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

Gronau/Germany, 31 March 2021

Urenco Deutschland GmbH

Dr Joachim W. Ohnemus

Movements in fixed assets in the financial year 2020

		Acquisition and production costs				Accumulated depreciation, amortisation and write-downs				Book values		
		1 Jan. 2020	Additions	Disposals	Reclassifications	31 Dec. 2020	1 Jan. 2020	Additions	Disposals	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible fixed assets												
Acquired concessions, industrial rights and similar rights and assets as well as licenses in such rights and assets		42,389,158.33	751,325.49	0.00	2,080,815.37	45,221,299.19	35,985,954.75	1,895,921.40	0.00	37,881,876.15	7,339,423.04	6,403,203.58
II. Property, plant and equipment												
1.	Land and buildings	201,929,360.83	627,761.97	0.00	306,046.16	202,863,168.96	84,614,492.11	5,758,766.45	0.00	90,373,258.56	112,489,910.40	117,314,868.72
2.	Technical equipment and machinery	1,231,926,410.97	565,196.69	0.00	1,164,190.19	1,233,655,797.85	1,058,179,286.74	59,030,419.51	0.00	1,117,209,706.25	116,446,091.60	173,747,124.23
3.	Other equipment, operating and office equipment	74,448,456.22	4,767,657.38	0.00	1,185,322.03	80,401,435.63	50,480,449.87	5,666,486.73	0.00	56,146,936.60	24,254,499.03	23,968,006.35
4.	Prepayments made and assets under construction	20,631,675.61	7,920,635.43	0.00	-4,736,373.75	23,815,937.29	0.00	0.00	0.00	0.00	23,815,937.29	20,631,675.61
		1,528,935,903.63	13,881,251.47	0.00	-2,080,815.37	1,540,736,339.73	1,193,274,228.72	70,455,672.69	0.00	1,263,729,901.41	277,006,438.32	335,661,674.91
III. Long-term financial assets												
1.	Shares in affiliated companies	19,697,274.82	0.00	0.00	0.00	19,697,274.82	19,672,273.82	0.00	0.00	19,672,273.82	25,001.00	25,001.00
2.	Other loans	172,518.14	0.00	30,935.95	0.00	141,582.19	0.00	0.00	0.00	0.00	141,582.19	172,518.14
		19,869,792.96	0.00	30,935.95	0.00	19,838,857.01	19,672,273.82	0.00	0.00	19,672,273.82	166,583.19	197,519.14
		1,591,194,854.92	14,632,576.96	30,935.95	0.00	1,605,796,495.93	1,248,932,457.29	72,351,594.09	0.00	1,321,284,051.38	284,512,444.55	342,262,397.63

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 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, 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 2020.

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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

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

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

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

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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.
- 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, 9 April 2021

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Remark: This PDF file represents a legally non-binding specimen copy. Legally binding is only the printed and bound report.

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

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

[Translator's notes are in square brackets]

General Engagement Terms

for

Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

1. Scope of application

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

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

2. Scope and execution of the engagement

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

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

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

3. The obligations of the engaging party to cooperate

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

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

4. Ensuring independence

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

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

5. Reporting and oral information

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

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

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

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

7. Deficiency rectification

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

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

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

8. Confidentiality towards third parties, and data protection

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

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

9. Liability

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

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

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

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

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

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

10. Supplementary provisions for audit engagements

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

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

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

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

11. Supplementary provisions for assistance in tax matters

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

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

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

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

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

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

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

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

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

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

12. Electronic communication

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

13. Remuneration

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

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

14. Dispute Settlement

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

15. Applicable law

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