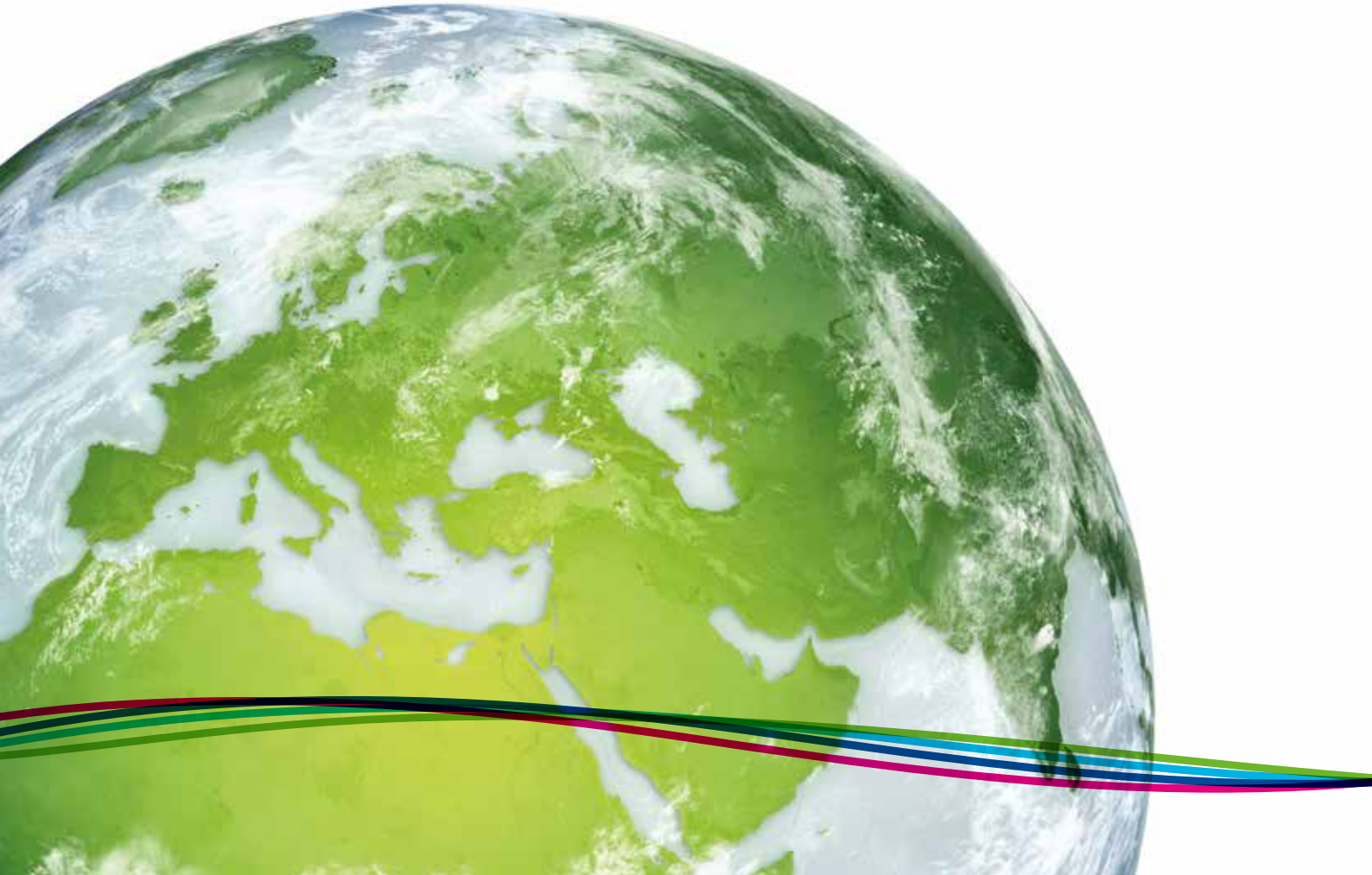
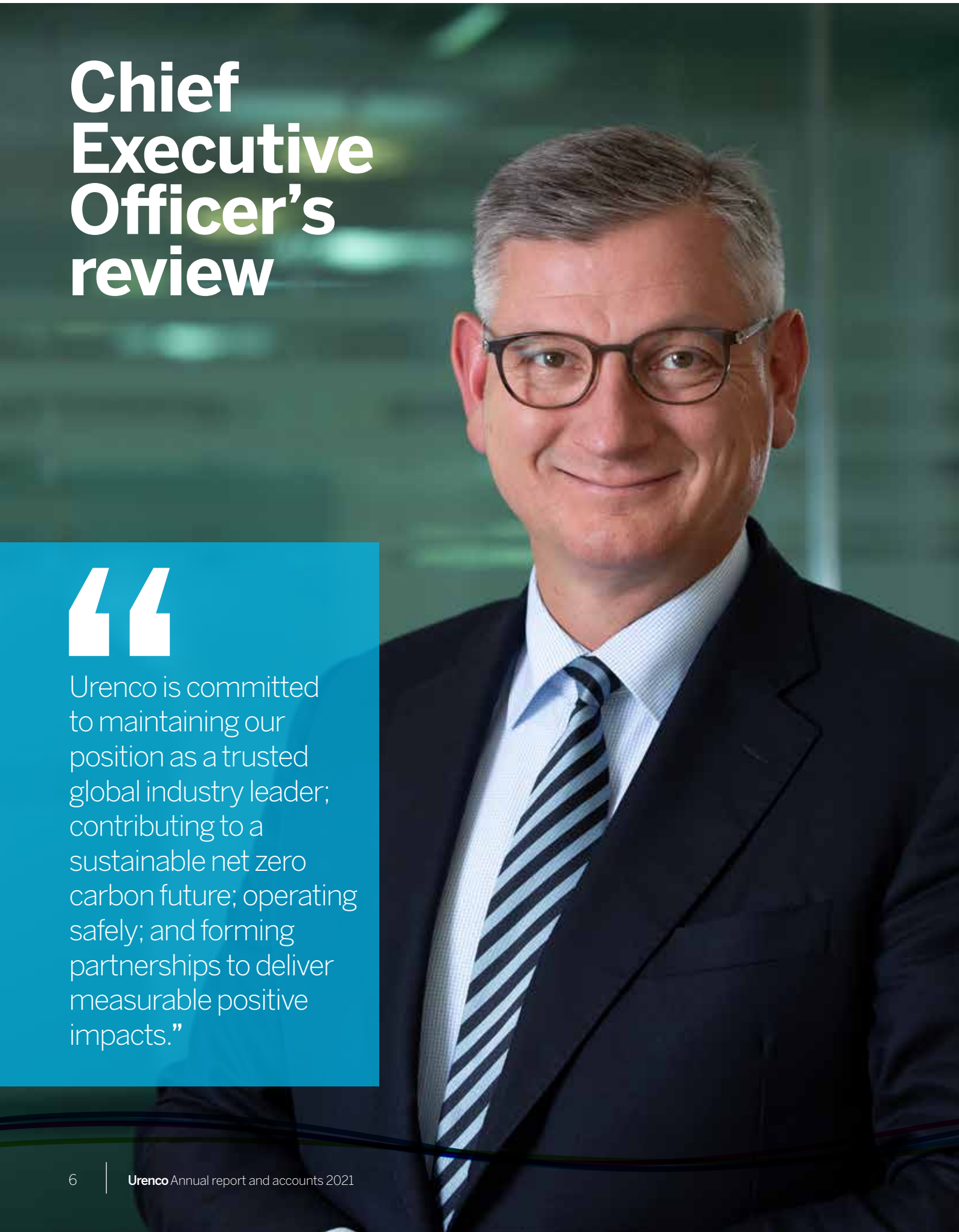
urenco
The Energy to Succeed

Delivering for a net zero world

Annual report and accounts 2021



Chief Executive Officer's review



"Urenco is committed to maintaining our position as a trusted global industry leader; contributing to a sustainable net zero carbon future; operating safely; and forming partnerships to deliver measurable positive impacts."

Boris Schucht reflects on a year in which we furthered the understanding of the nuclear industry and Urenco's role in achieving net zero; progressed our business strategy; maintained strong financial and operational performance; and delivered for our customers.

How can the nuclear industry help achieve net zero and what is Urenco's role?

At Urenco, we firmly believe that nuclear power has a key role, alongside renewables, in the clean energy transition through making a valuable contribution to reliable, low carbon electricity generation. External analysis has also shown the important part nuclear can play in the future production of hydrogen.

It is very clear that we will need all available CO_2 free alternatives and technologies to achieve net zero – the decarbonisation challenge is too big to exclude any option. As a long term partner to the nuclear industry with a critical role in the nuclear fuel cycle, we spent a significant amount of time in 2021 working to support policymakers in this important work.

This included commissioning an independent study from Aurora Energy Research to investigate the benefits of deploying both nuclear and renewables in hydrogen production. The report, called 'Decarbonising Hydrogen in a Net Zero Economy', was also supported by the International Atomic Energy Agency (IAEA), EDF and Lucid Catalyst. It supplemented the UK Government's Hydrogen Strategy by including modelling on the costs and competitiveness of nuclear's contribution. The key findings showed that, with a combination of renewables, nuclear and hydrogen, climate targets can be achieved, that the inclusion of nuclear creates economic value, and that combining nuclear and hydrogen leads to competitive costs. This study received positive feedback as a useful contribution to the discussion on the future role of nuclear in the energy transition.

We were also pleased to attend the COP26 climate change conference, the highlights of which for me were speaking at the IAEA presentation, 'Nuclear Innovation for a Net Zero World', holding our own hydrogen themed event with EDF (page 23) and collaborating with several other industry groups, including the Nuclear Institute's Young Generation Network representatives (pictured). What was clear was that support for, and the visibility of, nuclear is growing.

For example, during COP26 alone, France announced it would invest in new nuclear power plants; Romania signed an agreement to deploy a small modular reactor (SMR) power plant to help replace coal; and the UK company Rolls-Royce publicised a £210m UK government investment in its SMR, matched by private sector funding. Non-nuclear countries such as Kenya, Indonesia and others publicly stated that they are investigating the option of nuclear.

All these, plus other developments during the year, including the completed construction of the third unit at the UAE's Barakah nuclear power plant (page 27), are strong signals that nuclear is increasingly recognised as part of the solution for achieving net zero. This is the fundamental basis for the development of our industry in the coming decades.

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Of course, it is critical for nuclear organisations to address their own emissions and in 2021 Urenco committed to achieving net zero in advance of 2040 as a signatory of the Climate Pledge. This is now being translated into a clear roadmap with interim targets, with the intention of a fast and strong contribution to achieving net zero emissions within Urenco's operations by the target dates (page 20).

What is needed to realise nuclear energy's full contribution to net zero is for investment to be unlocked through a new financing model for nuclear and a market environment for hydrogen. There also needs to be a level playing field where carbon emissions have a price in all markets through clear, transparent and long term stable policy frameworks. We look forward to constructive conversations in the coming months and strong collaboration across industry and government on this essential work.

How did Urenco perform in 2021 and what progress did you make under the business strategy?

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Image top right: New cascade launch, Urenco Nederland
Bottom left: Tails Management Facility, Urenco UK
Bottom right: Transport of uranic materials, Urenco Nederland

Revenue developed as planned at €1,669.3 million (2020: €1,700.1 million), with new sales extending the volume of enrichment services we provide to some customers and also our reach within target markets well into the 2030s. EBITDA and net income were as expected down at €971.1 million and €364.5 million respectively (2020: €1,088.1 million; €505.3 million), with net income adversely impacted by a non cash deferred tax charge due to a future increase in the UK Corporation tax rate, which was enacted in 2021 . Cash generated from operating activities remained strong at €1,027.6 million (2020: €1,171 million) and ahead of management expectations. Total gross debt has been reduced to €1.1 billion from €1.6 billion at 31 December 2020 and it is down by over 60% in five years. Our order book extends into the 2030s with an approximate value of €8.7 billion and continues to provide Urenco with visibility and financial stability of future revenues.

Urenco is committed to maintaining our position as a trusted global industry leader; contributing to a sustainable net zero carbon future; operating safely and forming partnerships to deliver measurable positive impacts (page 20 and 28); and being a respected strategic partner and an organisation in which every employee feels informed, included and inspired (page 12). Our strategy is key to delivering these ambitions (page 10).

Safety remains our priority: in 2021 there were 3 LTIs and 2 MTIs, and 1 RWC, resulting in a Total Recordable Incident Rate (TRIR) of 0.274, a slight decrease from last year. During the year, safety activities focusing on accountability were held across the Group. These included special safety training workshops to review case studies of Urenco incidents.

For the transportation of uranic materials, safety and timeliness are the highest priorities. We use specialist suppliers and continue working under a long term agreement with a vessel to provide regular transatlantic shipments to ensure a secure transport route with cost certainty. Due to the blockage of the Suez Canal, we faced some challenges to our deliveries which we successfully managed.

To provide an enhanced service for our customers, in 2021 we progressed the development of next generation fuels, which will also create wider benefits for society in assisting decarbonisation goals (page 16).

Despite some challenges, which caused delays of several months to the ongoing commissioning process, the Tails Management Facility (TMF) was operational this year. The TMF provides responsible nuclear stewardship by deconverting the by-product of our enrichment services into uranium oxide for potential re-enrichment or long term storage before eventual disposal.

Another positive development was the official opening of the new Leonardo da Vinci cascade of centrifuges at our Urenco Stable Isotopes facility in the Netherlands (page 11). We have expanded our facility to meet growing demand in this field, especially for industrial and medical products.

What are the priorities for 2022?

We will continue to provide our customers with the excellent service we are known for, supporting them to fuel both existing reactors and nuclear new builds, with current and advanced technologies (page 16).

To succeed in this, a core focus will be our asset strategy (page 18) – the investment we will make in our centrifuge and associated technology through refurbishment and replacement.

Under our sustainability strategy, we will implement plans to further nuclear energy's contribution to a greener and more sustainable future. This work will include progressing the reduction of our carbon emissions through science aligned targets in our roadmap to net zero (page 20) and developing our social investment partnerships (page 24).

We are also 'creating a winning team' of employees for today and the future through our long term culture programme, which will advance in 2022 with a strong focus on leadership, behaviours, and inclusion and diversity. Our people enable us to deliver on our commitments to customers, partners and other stakeholders. They are the reason we will continue to have the energy to succeed.

Boris Schucht
Chief Executive Officer


netzero