

# Supporting a net zero world



# Chief Executive Officer's review

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Boris Schucht shares his views on the strategic role of nuclear in the future energy transition, how it can help us meet net zero targets, and how Urenco, with its strong performance over the past 12 months, has a key contribution to make.

#### How did Urenco perform in 2020?

Financial performance in 2020 was strong, despite the COVID-19 pandemic, and the results were in line with our expectations.

Revenue, EBITDA and net income were all down on 2019, in particular due to reduced SWU volumes. All remained robust, driven by the current order book and our sites' performance. Our contract order book extends to the 2030s, with an approximate value of €9 billion, and provides Urenco with good visibility of near-term financial performance.

Net financial debt continued to reduce, which was €456 million at the end of 2020 (2019: €928 million). We have a strong balance sheet, which can help protect us from any potential longer term adverse consequences of COVID-19 and the ongoing challenges of the enrichment market. Our operations remained safe and stable, and we met our health and safety targets (page 17). Inactive commissioning of our Tails Management Facility was completed, the final stage of active commissioning is well underway and uranium oxide production is expected to start in the first half of 2021 (page 18).

A new Technology and Development function was created to bundle Urenco's technical and business development activities. The function will optimise our global assets and deploy specific technologies to make best use of our skills and expertise, and effectively manage long term liabilities, such as decommissioning and reuse/disposal of nuclear materials (page 24).

New sales were achieved in 2020 (page 20), and we continue to work closely with our customers to monitor and support their financial and operational situations.

None of this would have been possible without our people, whose performance in 2020 was outstanding. I would like to thank all employees for their commitment to the company and their hard work during the challenging times that COVID-19 has brought. The organisation adapted very quickly to the changes required to support the wellbeing of our people and protect our operations as much as possible, which I, and the other members of the Executive team, were both highly impressed by and extremely grateful for. I was also happy that, despite COVID-19, we made progress on the cultural development of the company, which underpins our successful future as outlined in our strategy. 2020 was also a year of celebration. It was a real pleasure in March to mark 50 years since Urenco's founding treaty, the Treaty of Almelo, was signed, an agreement which continues to provide stability and strength for our organisation as we look to the next 50 years.



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## With the UN Climate Change Conference (COP26) later in 2021, what are your views on the role of nuclear in the energy mix?

Current energy challenges are dominated by the climate crisis and the need to decarbonise our economies. There is a growing global consensus on the need to significantly and urgently reduce  $CO_2$  emissions. Many countries and businesses are now setting net zero targets, some as soon as 2050 – less than 30 years from now.

Nuclear power can and should play an important role in the clean energy transition. Achieving a sustainable energy system and meeting our ambitious climate targets will be much harder without existing nuclear power and investment in new nuclear. This is being increasingly recognised and accepted around the world, with the UK, France, the US and Canada among the countries announcing funding for nuclear in the past year, and several others, such as the Netherlands, considering enhancing their capacity (page 23).

I believe that, for electricity systems with a significant renewables component in the mix, seasonal storage is needed due to the intermittency issue. Therefore, we are currently seeing the first countries starting to develop hydrogen or powerto-gas concepts as alternatives. Also, some sectors – such as haulage, steel production or cement production – will be very difficult to decarbonise without hydrogen and perhaps other synthetic fuels, and nuclear can assist with their efficient and low-carbon production.

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To make this a reality, nuclear needs a level playing field where carbon emissions have a price in all markets; nuclear must become more cost-effective; and nuclear requires better access to finance. These are the three big issues for nuclear for the next 10-20 years and it is essential that industry, regulatory and government stakeholders collaborate to solve them. In this respect, I was pleased to see the recognition of the valuable role nuclear can play in several countries' policies and initiatives in 2020, including the UK Government's 10 Point Plan for net zero transition, announced in November, and subsequently in the Energy White Paper.

Urenco's energy use and approach to climate change is described on page 30.



## How can Urenco, through its strategy, support nuclear energy in making a valuable contribution to realising net zero?

We have updated our strategy to reflect our view of the future and what we need to achieve to play our role within it.

There are challenges. Growth in the nuclear sector has slowed, and potentially peaked in the Western world. Through our strategy we are adapting to these changes to be able to continue to offer high-quality products and services for our customers and ensure the sustainability of our part of the nuclear fuel cycle.

Our core business has always been, and will continue to be, uranium enrichment services, using our leading centrifuge technology. We can supply current and new light water reactors, and have the experience and knowledge to deliver enriched uranium to all major fuel fabricators in the world. We are strongly committed to our existing customers and markets, exploring areas of growth and striving to achieve business at levels which will enable us to reinvest in our business. We offer our customers an integrated nuclear fuel supply, covering all elements of the nuclear fuel supply chain.

Using our core competencies and leading technology, existing products and services will be complemented by increasing our offering in related areas where we can create real value, such as the fuelling of new reactors, stable and medical isotopes, waste treatment and decommissioning.

There are customers who are already today considering slightly higher increases in low enriched uranium (LEU) requiring enrichment up to 10%, called LEU+, to improve the economic efficiency of their nuclear power plants. We are currently preparing our sites to be able to meet future customer needs.

There is a second driver for new products in our sector: new reactor designs may need fuels with a higher level of enrichment. The intention is to improve efficiency and also safety through enhanced accident tolerance. This work is at a very early stage. We are preparing for the necessary developments on the design of our plants, and for the regulatory requirements, so we can provide these in the future when customers should need them.

Our stable and medical isotopes facility in the Netherlands is increasing its capacity and the expanded facility will be officially opened in 2021. We have made this investment to meet the rapidly growing demand for enriched and depleted isotopes of elements. This is an area of huge social value, providing improvements to everyday lives, including medical diagnostics, therapy, and pain relief, and also supporting the development of quantum computers.

Our UK subsidiaries, Urenco ChemPlants and Urenco Nuclear Stewardship, are dedicated to the responsible and sustainable management of nuclear materials. Urenco ChemPlants operates the Tails Management Facility, a £1 billion investment (page 18). This is complemented by the work of Urenco Nuclear Stewardship, focused on decommissioning and waste management, which has won new contracts this year (page 26).

We will increase our collaboration with governments and partners within the industry to help shape the future of nuclear power and its regulation.

Most importantly, we are investing in our people. They are the foundation of our strategy. Creating a winning team will be facilitated by the 'Our Culture' programme. Our ambition is to enhance our position as an employer of choice with an inclusive culture aligned with our values and ambitions, maintaining a healthy and high performing organisation. We offer highly skilled and well paid jobs, reaching out to apprentices and graduates through a variety of programmes and placements, and continuously improve our development and talent programmes. This is enhanced by our Richie education programme, which has now reached more than 300,000 students worldwide – encouraging the next generation of scientists and engineers.

#### What will you be focusing on in 2021?

The pandemic is likely to remain a challenge for society, and for us, for a large part of 2021. We will ensure that our operations and the health and safety of our employees are maintained to the highest possible level.

COP26 will be held in the UK. It will be important for the nuclear industry to participate in the dialogue and debate to clearly articulate that nuclear energy is a critical part of the solution for climate change, and Urenco will support this.

A key focus for 2021 will be the implementation of elements of 'Our Strategy' and 'Our Culture' programmes, which are intrinsically linked. I am proud to say that the majority of the programmes' initiatives originated from Urenco teams, so these really are our programmes, developed by us, for us. I strongly believe that this excellent work will support our long term success and enable us to fulfil our role in supporting net zero goals for the global energy market.

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Boris Schucht Chief Executive Officer