news release

7 March 2018

URENCO Group – Full Year Audited Financial Results

Increase in Revenue and EBITDA supported by our established contract order book

London – 7 March 2018 – URENCO Group ("URENCO" or "the Group"), an international supplier of uranium enrichment services and nuclear fuel cycle products, today announces its results for the full year ended 31 December 2017.

Summary

- Increase in revenue (€1,926.9 million, up 1.8% year-on-year) and EBITDA (€1,249.5 million, up 6.8% year-on-year) supported by established contract order book.
- Net income benefitting from lower depreciation charges and lower finance costs due to lower levels of foreign exchange volatility.
- Continued strong operating cash generation of €1,314.1 million and reduction in net debt to €2,104.7 million.
- Contract order book extending to the second half of the next decade with an approximate value of €12.7 billion, providing protection in the short to medium term against prevailing market challenges and pricing pressures.
- Commissioning of UK Tails Management Facility (TMF) expected in late 2018, following construction delays.
- Long-term strategy implementation progressing well with cost reductions on target to achieve €300 million in cumulative cash savings by the end of 2019.

Financial Highlights (€m)	**2017**	2016
Revenue	**1,926.9**	1,893.0
EBITDA(i), (ii)	**1,249.5**	1,170.0
EBITDA margin %	**64.8%**	61.8%
Income from operating activities (pre-exceptional items)	**871.8**	693.2
Exceptional items pre-tax (ii)	**-**	(793.0)
Income / (loss) from operating activities (post-exceptional items)	**871.8**	(99.8)
Net income / (loss)	**514.9**	(456.3)
Earnings per share	**3.1**	(2.7)
Capital expenditure	**299.3**	407.6
Cash generated from operating activities	**1,314.1**	1,226.0

(i) EBITDA is earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and other expenses.
(ii) Exceptional items pre-tax comprise impairment of the USA operations (€760.0m) and restructuring provisions (€33.0m).

URENCO Limited
URENCO Court, Sefton Park, Bells Hills, Stoke Poges, Buckinghamshire SL2 4JS, United Kingdom
T +44 (0)1753 660 660 **F** +44 (0)1753 660 774 **W** www.urenco.com

Thomas Haeberle, Chief Executive of URENCO Group, commenting on the full year results, said:

“In 2017, URENCO delivered a good operational performance, strong financial results, and an improved safety performance following reduced lost time incidents. EBITDA was up, reflecting an increased level of sales and lower operating and administrative expenses. There was an increase in net income as a result of lower depreciation charges and lower finance costs.

We are continuing to optimise our business to mitigate against the pricing and demand challenges in the global enrichment market together with political uncertainties in the UK and Germany. As we complete our strategy’s initial implementation period we are on track to achieve €300 million in cumulative cash savings by the end of 2019. We are also pursuing growth opportunities in new markets, expanding our technical capabilities and broadening our services to the nuclear industry.

We have maintained our 100% record for customer deliveries, our 2017 employee survey showed a highly committed and engaged workforce, and 95% of stakeholders who responded to our 2017 reputation review had a very good or good opinion of URENCO.

The enrichment market may be challenging, but global demand for a continuous and secure supply of low carbon energy means we are optimistic that the civil nuclear industry will continue to grow. We are well placed to meet this increased demand due to the expertise and high level of engagement of our people, our secure and diverse supply, and our flexibility to reliably provide our customers with their essential products.”

Financial Results

Revenue for the year ended 31 December 2017 was €1,926.9 million, an increase of 1.8% on the €1,893.0 million in 2016. SWU revenues after currency hedges were down by €1.5 million and uranium related sales were lower by €16.7 million. For both SWU revenues and uranium related sales, the benefits from higher volumes were more than offset by the impact of lower average unit revenues. Other net movements in revenue increased by €52.1 million compared to 2016, primarily as a result of net fair value gains associated with uranium related commodity contracts and higher sales at URENCO Nuclear Stewardship.

EBITDA for 2017 was €1,249.5 million, an increase of 6.8% over €1,170.0 million in 2016. This resulted from increased revenue, lower other operating and administrative expenses and slightly higher net costs for tails provisions.

Other operating and administrative expenses were €48.2 million lower than in 2016 reflecting improved operations from the implementation of our strategy and a credit of €15.6 million on the closure of the UK defined benefit pension scheme to further accrual.

The net costs for tails provisions were €2.6 million higher in 2017 compared to 2016. This was due to €59.6 million higher costs of new tails provisions created, offset by €57.0 million higher releases from the tails provision. The cost of new tails provisions created of €199.2 million were higher than the costs of €139.6 million in 2016, largely driven by new tails generated during the year and an increase in tails deconversion costs. There was a €85.3 million release from the tails provisions (2016: €28.3 million) following a review of underlying assumptions, optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts.

The EBITDA margin for 2017 was 64.8% (2016: 61.8%) reflecting the benefits of net fair value gains on commodity contracts and lower operating costs, which more than offset the adverse impact of the increased net tails provisions and the higher proportion of lower margin uranium related sales in 2017.

Depreciation and amortisation for 2017 was €343.3 million, a decrease of €146.1 million on the charge of €489.4 million for 2016. This was the result of two key factors: lower depreciation on the USA operations as a result of the €760.0 million pre-tax impairment charge taken in 2016; and an increase in the estimated useful life of centrifuges and associated equipment across all enrichment sites.

Income from operating activities before exceptional items for 2017 increased by €178.6 million to €871.8 million compared to last year (2016: €693.2 million before exceptional items; €(99.8) million after exceptional items).

In 2017 there were no exceptional items compared to the €793.0 million pre-tax loss reported in 2016. The exceptional items in 2016 comprised an impairment of the carrying value of the USA operations of €760.0 million and a restructuring provision of €33.0 million.

Net finance costs for 2017 were €140.1 million, compared to €272.0 million for 2016. In 2017 the impact of the retranslation of unhedged loan balances was a loss of €10.3 million (2016: €110.2 million loss) reflecting increased hedging and lower foreign exchange movements. In addition, a gain associated with ineffective cash flow hedges was incurred of €5.5 million (2016: €16.6 million loss). The net finance costs on borrowings (including the impact of interest rate/cross currency interest rate swaps) were lower at €127.7 million (2016: €134.8 million) reflecting lower levels of net debt in 2017.

In 2017 the tax expense was €216.8 million (an effective tax rate (ETR) of 29.6%) an increase of €79.4 million over the pre-exceptional tax expense of €137.4 million for 2016 (ETR: 32.6%). The tax expense for 2017 includes a credit of €74.0 million related to previously unrecognised US deferred tax assets resulting from the impact that the increase in lifetimes of centrifuges and associated equipment will have on future depreciation. There is also a deferred tax charge of €85.1 million from the write down of previously recognised US deferred tax assets which have been revalued to reflect a reduction in average US Federal and New Mexico state corporate tax rates from 38.84% to 25.66%, effective from 1 January 2018.

Excluding the impacts of the deferred tax items, the tax charge would have been €205.7 million (ETR: 28.1%) compared to the pre-exceptional tax expense of €137.4 million for 2016 (ETR: 32.6%). The decrease in the ETR is being driven by three factors: i) changes in the relative proportions of profits and losses generated across the four jurisdictions in which URENCO operates; ii) impact of non-taxable and non-deductible amounts, including foreign exchange financing gains and losses that are excluded from tax under the UK disregard regulations; and iii) the impact of adjustments in respect of prior years.

In 2017 net income was €514.9 million an increase of €231.1 million compared to 2016 net income before exceptional items of €283.8 million (2016 net loss post exceptional items: €456.3 million). The net income margin for 2017 was 26.7% compared to the 2016 net income margin before exceptional items of 15.0%. This increase in net income is attributable to the impact of the increased EBITDA, lower depreciation costs and lower net finance costs which more than offset a higher income tax expense.

Cash flow

Operating cash flows before movements in working capital was €1,188.3 million (2016: €1,242.2 million) and cash generated from operating activities was €1,314.1 million (2016: €1,226.0 million). This was a result of higher revenues, lower operating costs and a favourable net working capital movement offset by increased spending on the deconversion, storage and disposal of tails during 2017.

Tax paid in the period was €122.9 million (2016: €117.1 million). Net cash flows from operating activities were €1,191.2 million (2016: €1,108.9 million).

The Group invested a total of €299.3 million in 2017 (2016: €407.6 million), reflecting a lower level of expenditure on core enrichment assets following completion of the US plant and the ongoing investment in TMF of €184.4 million (2016: €229.0 million). As reported in the 2017 interim results, the TMF has experienced construction delays and continues to face risks in terms of schedule and final cost. As a result, commissioning of the facility is forecast for late 2018. Capital expenditure is expected to fall further in future years following the completion of the TMF and lower investment required in new enrichment activity.

Capital structure and funding

Net debt decreased to €2,104.7 million (2016: €2,618.3 million). The Group's net debt to total asset ratio remained strong at 32.9% (2016: 36.6%) well within the Group's target ratio of less than 60%.

In May 2017, €362.3 million of euro bonds were repaid at maturity and a term loan of €112.4 million was repaid in December 2017. URENCO prepaid €319.6 million of EIB debt in December 2017 with the remaining €100 million loan maturing in March 2018. New one year bilateral loans have been arranged, each of €90 million, with four of URENCO's relationship banks. The maturity of the five-year €750 million revolving credit facility signed in 2016 has been extended to 2022.

The Group's debt is rated by Moody's (Baa1/Stable) and Standard & Poor's (BBB+/Stable), these external ratings were unchanged during 2017.

In 2017 the final dividend for the year ended 31 December 2016 of €300.0 million was paid (dividend paid in 2016 for the year ended 31 December 2015: €350.0 million). The final dividend for 2017 of €300.0 million has been approved and will be paid to shareholders on 26 March 2018.

Order Book

Our order book contains orders extending to the second half of the next decade. The value of URENCO's order book at 31 December 2017 was approximately €12.7 billion based on €/$ of 1 : 1.20 (2016: approximately €15.5 billion based on €/$ of 1 : 1.05).

Outlook

URENCO's long-term strategy is to broaden the range of services it offers while remaining a reliable and sustainable partner to the global nuclear industry, providing customers with the highest level of service, quality and expertise.

URENCO's established contract order book continues to provide long-term visibility and financial stability of future revenues. This provides protection in the medium term against prevailing pricing pressures and market conditions. However, the presence of excess inventories of enriched uranium product is contributing to market pricing pressures. If sustained into the middle and long term, the Group could experience lower profit margins and reduced cash flow. URENCO is confident that through the implementation of its strategy it will deliver sustained commercial success. URENCO also remains confident that the global nuclear industry will grow and that the Group is well-positioned to support it for years to come.

The principal risks and uncertainties to which URENCO is exposed are disclosed in the annual financial statements for the year ended 31 December 2017 and these are broadly the same as those disclosed in 2016.

The UK's exit from the European Union and Euratom presents significant uncertainty for URENCO's business and we continue to work with the UK Government to ensure an orderly transition. The Group's geographical diversity – with enrichment facilities in Germany, the Netherlands, the UK and the USA – means our business is well placed to continue to deliver on its commitments to customers.

-- ENDS --

Contact
Jayne Hallett
Director of Corporate Communications
+44 1753 660 660

Oliver Buckley
Madano +44 20 7593 4000
oliver.buckley@madano.com

About URENCO Group

URENCO is an international supplier of enrichment services and fuel cycle products with its head office based close to London, UK. With plants in Germany, the Netherlands, the UK and in the USA, it operates in a pivotal area of the nuclear fuel supply chain which enables the sustainable generation of electricity for consumers around the world.

Using centrifuge technology designed and developed by URENCO, the URENCO Group provides safe, cost-effective and reliable uranium enrichment services for civil power generation within a framework of high environmental, social and corporate responsibility standards.

For more information, please visit www.urenco.com

Click here to view the full press release as a PDF

Definitions

Capital Expenditure - Reflects investment in property, plant and equipment plus the prepayments in respect of fixed asset and intangible asset purchases for the period.

EBITDA – Earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results (or income from operating activities plus depreciation and amortisation, plus joint venture results). Depreciation and amortisation are adjusted to remove elements of such charges already included in changes to inventories and other expenses.

Net Debt – Loans and borrowings (current and non-current) plus obligations under finance leases less cash and cash equivalents and short term deposits.

Net Finance Costs – Finance costs less finance income net of capitalised borrowing costs and including costs/income of non-designated hedges.

Net Income – Income for the year attributable to equity holders of the parent.

Order book – Contracted and agreed business estimated on the basis of "requirements" and "fixed commitment" contracts.

Revenue – Revenue from sale of goods and services and net fair value gains/losses on commodity contracts.

Separative Work Unit (SWU) – The standard measure of the effort required to increase the concentration of the fissionable U_{235} isotope.

Tails (Depleted UF_6) – Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of U_{235} isotope.

Uranium related sales – Sales of uranium in the form of UF_6, U_{3O8} or the UF_6 component of EUP.

URENCO Nuclear Stewardship Limited – Previously named Capenhurst Nuclear Services Limited.

Disclaimer

This press release is not intended to be read as the Group's statutory accounts as defined in section 435 of the Companies Act 2006. Information contained in this release is based on the 2017 Consolidated Financial Statements of the URENCO Group, which were authorised for the issue by the Board of Directors on 6 March 2018. The auditor's report on the 2017 Consolidated Financial Statements of the Group was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The Group's 2016 statutory accounts have been delivered to the registrar of companies.

This release and the information contained within it does not constitute an offering of securities or otherwise constitute an invitation or inducement to underwrite, subscribe for or otherwise acquire securities in any company within the URENCO Group.

Any forward-looking statements contained within this release are inherently subject to risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements and, accordingly, any person reviewing this release should not rely on such forward-looking statements.

CONSOLIDATED INCOME STATEMENT

	2017	2016	2016	2016
	Result for the year [i] **€m**	Result for the year (pre exceptional items) (re-presented [ii]) €m	Exceptional items in year (re-presented[ii]) €m	Result for the year (post exceptional items) (re-presented [ii]) €m
Revenue from sales of goods and services	**1,926.9**	1,893.0	-	1,893.0
Changes to inventories of work in progress and finished goods	**(124.6)**	(38.0)	-	(38.0)
Raw materials and consumables used	**(12.0)**	(13.0)	-	(13.0)
Tails provision created	**(199.2)**	(139.6)	-	(139.6)
Employee costs [ii]	**(149.7)**	(169.6)	-	(169.6)
Depreciation and amortisation	**(343.3)**	(489.4)	-	(489.4)
Impairment of US operations	**-**	-	(760.0)	(760.0)
Restructuring charges	**4.7**	-	(33.0)	(33.0)
Other expenses	**(238.6)**	(349.8)	-	(349.8)
Share of results of joint venture	**7.6**	(0.4)	-	(0.4)
Income/(loss) from operating activities	**871.8**	693.2	(793.0)	(99.8)
Finance income	**107.8**	112.7	-	112.7
Finance costs	**(247.9)**	(384.7)	-	(384.7)
Income/(loss) before tax	**731.7**	421.2	(793.0)	(371.8)
Income tax (expense)/income	**(216.8)**	(137.4)	52.9	(84.5)
Net income/(loss) for the year attributable to the owners of the Company	**514.9**	283.8	(740.1)	(456.3)
Earnings/(loss) per share	**€**	€	€	€
Basic earnings/(loss) per share	**3.1**	1.7	(4.4)	(2.7)

(i) In 2017 there were no exceptional items.
(ii) Employee costs that are capital in nature were previously presented as a charge within the "Employee costs" line with an equal and opposite credit recognised within the "Work performed by the Group and capitalised" line for amounts capitalised (year ended 31 December 2017: €14.7 million, year ended 31 December 2016: €14.7 million) presented as a separate line item to "Employee costs". In the year ended 31 December 2017 both the charge and capitalised credit were presented net within the "Employee costs" line. The presentation of the comparative financial information for the year ended 31 December 2016 has been re-presented to be on a consistent basis with no change to reported profit.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 €m	2016 €m
Net income/(loss) for the year attributable to the owners of the Company	**514.9**	(456.3)
Other comprehensive income/(loss):		
Items that have been or may be reclassified subsequently to the income statement		
Cash flow hedges – transfers to revenue	**82.1**	105.1
Cash flow hedges – mark to market gains/(losses)	**152.1**	(206.4)
Net investment hedge – mark to market gains/(losses)	**146.2**	(343.1)
Deferred tax (charge)/income on financial instruments	**(42.5)**	10.2
Current tax (charge)/income on financial instruments	**(11.7)**	6.8
Exchange differences on hedge reserve	**12.8**	53.6
Total movements to hedging reserve	**339.0**	(373.8)
Exchange differences on foreign currency translation of foreign operations	**(291.6)**	371.5
Share of joint venture exchange differences on foreign currency translation of foreign operations	**(0.1)**	1.1
Total movements to foreign currency translation reserve	**(291.7)**	372.6
Items that will not be reclassified subsequently to the income statement		
Actuarial gains/(losses) on defined benefit pension schemes	**26.0**	(87.4)
Deferred tax (expense)/income on actuarial gains/(losses)	**(5.1)**	14.7
Current tax income on actuarial losses	**-**	0.5
Share of joint venture actuarial losses on defined benefit pension schemes	**(2.1)**	(7.0)
Utility partner payments	**(0.1)**	(0.3)
Deferred tax income on utility partner payments	**-**	0.1
Total movements to retained earnings	**18.7**	(79.4)
Other comprehensive income/(loss)	**66.0**	(80.6)
Total comprehensive income/(loss) for the year attributable to the owners of the Company	**580.9**	(536.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017 €m	2016 €m
Assets		
Non-current assets		
Property, plant and equipment	**4,900.5**	5,282.8
Investment property	**6.8**	7.4
Intangible assets	**44.4**	40.9
Investments including joint venture	**7.5**	1.1
Financial assets	**7.6**	9.0
Derivative financial instruments	**284.7**	153.2
Deferred tax assets	**207.2**	373.3
	5,458.7	5,867.7
Current assets		
Inventories	**545.9**	550.2
Trade and other receivables	**234.3**	409.7
Derivative financial instruments	**22.0**	56.7
Income tax receivable	**77.8**	12.0
Short term bank deposits	**-**	1.6
Cash and cash equivalents	**59.1**	251.7
	939.1	1,281.9
Total assets	**6,397.8**	7,149.6
Equity and liabilities		
Equity attributable to the owners of the Company		
Share capital	**237.3**	237.3
Additional paid in capital	**16.3**	16.3
Retained earnings	**1,356.8**	1,123.2
Hedging reserve	**(322.5)**	(661.5)
Foreign currency translation reserve	**536.4**	828.1
Total equity	**1,824.3**	1,543.4
Non-current liabilities		
Trade and other payables	**-**	40.8
Interest bearing loans and borrowings	**1,888.8**	2,350.7
Provisions	**1,499.3**	1,491.9
Retirement benefit obligations	**97.3**	142.8
Deferred income	**28.2**	38.5
Derivative financial instruments	**120.1**	319.7
Deferred tax liabilities	**94.7**	39.0
	3,728.4	4,423.4
Current liabilities		
Trade and other payables	**436.6**	442.5
Interest bearing loans and borrowings	**275.0**	520.9
Provisions	**15.3**	18.8
Derivative financial instruments	**52.6**	175.4
Income tax payable	**64.0**	23.6
Deferred income	**1.6**	1.6
	845.1	1,182.8
Total liabilities	**4,573.5**	5,606.2
Total equity and liabilities	**6,397.8**	7,149.6

Registered Number 01022786
The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2018.

Dr Thomas Haeberle
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2017	**237.3**	**16.3**	**1,123.2**	**(661.5)**	**828.1**	**1,543.4**
Income for the year	**-**	**-**	**514.9**	**-**	**-**	**514.9**
Other comprehensive income/(loss)	**-**	**-**	**18.7**	**339.0**	**(291.7)**	**66.0**
Total comprehensive income/(loss)	**-**	**-**	**533.6**	**339.0**	**(291.7)**	**580.9**
Equity dividends paid	**-**	**-**	**(300.0)**	**-**	**-**	**(300.0)**
As at 31 December 2017	**237.3**	**16.3**	**1,356.8**	**(322.5)**	**536.4**	**1,824.3**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2016	237.3	16.3	2,008.9	(287.7)	455.5	2,430.3
Loss for the year	-	-	(456.3)	-	-	(456.3)
Other comprehensive (loss)/income	-	-	(79.4)	(373.8)	372.6	(80.6)
Total comprehensive income/(loss)	-	-	(535.7)	(373.8)	372.6	(536.9)
Equity dividends paid	-	-	(350.0)	-	-	(350.0)
As at 31 December 2016	237.3	16.3	1,123.2	(661.5)	828.1	1,543.4

CONSOLIDATED CASH FLOW STATEMENT

	2017 **€m**	2016 €m
Income/(loss) before tax	**731.7**	(371.8)
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:		
Share of joint venture results	**(7.6)**	0.4
Depreciation and amortisation	**343.3**	489.4
Impairment of US operations	**-**	760.0
Restructuring costs	**-**	33.0
Finance income	**(107.8)**	(112.7)
Finance costs	**247.9**	384.7
Loss on disposal/write offs of property, plant and equipment	**12.0**	1.6
Increase in provisions	**(31.2)**	57.6
Operating cash flows before movements in working capital	**1,188.3**	1,242.2
Increase in inventories	**(41.5)**	(92.2)
Decrease/(increase) in receivables and other debtors	**159.0**	(24.4)
Increase in payables and other creditors	**8.3**	100.4
Cash generated from operating activities	**1,314.1**	1,226.0
Income taxes paid	**(122.9)**	(117.1)
Net cash flow from operating activities	**1,191.2**	1,108.9
Investing activities		
Interest received	**81.6**	70.3
Proceeds from sale of property, plant and equipment	**0.1**	0.4
Purchases of property, plant and equipment	**(299.3)**	(407.6)
Increase in investment	**(0.2)**	(0.2)
Net cash flow from investing activities	**(217.8)**	(337.1)
Financing activities		
Interest paid	**(209.9)**	(212.6)
Payments in respect of settlement of debt hedges	**(6.8)**	-
Dividends paid to equity holders	**(300.0)**	(350.0)
Proceeds from new borrowings	**378.8**	366.4
Maturity/(placement) of short term deposits	**1.6**	(1.6)
Repayment of borrowings	**(1,027.7)**	(728.7)
Net cash flow from financing activities	**(1,164.0)**	(926.5)
Net decrease in cash and cash equivalents	**(190.6)**	(154.7)
Cash and cash equivalents at 1 January	**251.7**	391.3
Effect of foreign exchange rate changes	**(2.0)**	15.1
Cash and cash equivalents at 31 December	**59.1**	251.7