Analyse, inform and activate



Stichting Laka: Documentatie- en onderzoekscentrum kernenergie

#### De Laka-bibliotheek

Dit is een pdf van één van de publicaties in de bibliotheek van Stichting Laka, het in Amsterdam gevestigde documentatie- en onderzoekscentrum kernenergie.

Laka heeft een bibliotheek met ongeveer 8000 boeken (waarvan een gedeelte dus ook als pdf), duizenden kranten- en tijdschriftenartikelen, honderden tijdschriftentitels, posters, video's en ander beeldmateriaal. Laka digitaliseert (oude) tijdschriften en boeken uit de internationale antikernenergiebeweging.

De <u>catalogus</u> van de Laka-bibliotheek staat op onze site. De collectie bevat een grote verzameling gedigitaliseerde <u>tijdschriften</u> uit de Nederlandse antikernenergie-beweging en een verzameling <u>video's</u>.

Laka speelt met oa. haar informatievoorziening een belangrijke rol in de Nederlandse anti-kernenergiebeweging.

#### The Laka-library

This is a PDF from one of the publications from the library of the Laka Foundation; the Amsterdam-based documentation and research centre on nuclear energy.

The Laka library consists of about 8,000 books (of which a part is available as PDF), thousands of newspaper clippings, hundreds of magazines, posters, video's and other material.

Laka digitizes books and magazines from the international movement against nuclear power.

The <u>catalogue</u> of the Laka-library can be found at our website. The collection also contains a large number of digitized <u>magazines</u> from the Dutch anti-nuclear power movement and a video-section.

Laka plays with, amongst others things, its information services, an important role in the Dutch anti-nuclear movement.

Appreciate our work? Feel free to make a small donation. Thank you.



www.laka.org | info@laka.org | Ketelhuisplein 43, 1054 RD Amsterdam | 020-6168294

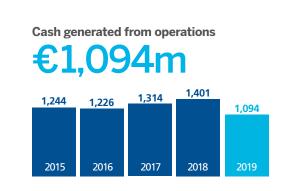


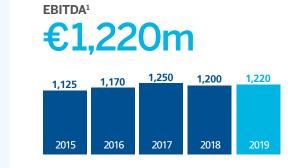




# **FINANCIAL HIGHLIGHTS**

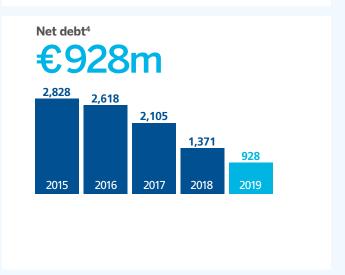












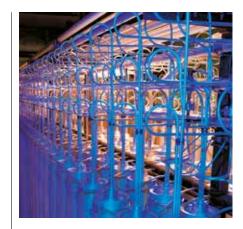
EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation, amortisation and joint venture results.

Capital expenditure includes net cash flows from investing activities (excluding interest received) and capital accruals (included in working capital payables).

Net result in 2016 was net income of 6283.8 million pre-exceptional items and net loss of 6456.3 million post-exceptional items.

Net debt comprises loans and borrowings (current and non-current) plus obligations under finance leases less cash and cash equivalents and short term deposits.

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Forward-looking statements – this document may include certain forward-looking statements, beliefs or opinions, including statements with respect to Urenco's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'plans', 'anticipates', 'targets', 'aims', 'continues', 'expects', 'extends', 'hopes', 'may,' will', 'would', 'could', or 'should' or in each case, their negative or other various or comparable terminology.

These statements are made by the Urenco Limited Directors in good faith based on the information available to them at the date of this report and reflect the Urenco Limited Directors' beliefs and expectations. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those factors set out under 'Principal risks and uncertainties' on pages 28 to 31 of this document.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this document and Urenco and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this document. No statement in the document is intended to be, or intended to be construed as, a profit forecast or profit estimate. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

# **CHAIRMAN'S FOREWORD**

In 2019 we achieved robust underlying<sup>1</sup> financial results, safe and strong performances and agreed important new business with our customers. This comes against a backdrop of market and geopolitical challenges. In 2020, Urenco celebrates the 50th anniversary of the Treaty of Almelo, the international agreement that set up the company.

#### **Global enrichment market**

With nuclear energy providing approximately 10% of the world's electricity<sup>2</sup>, it is vital that the nuclear industry receives a cost effective and diverse supply of uranium enrichment services as an integral part of the nuclear fuel cycle. Nuclear is the world's second largest source of low-carbon power<sup>3</sup> and Urenco has a key role in sustaining this.

The enrichment market remains challenging, with lower prices increasingly reflected in the reduced value of our contract order book. Enriched uranium inventories mean that the market has excess capacity. We have adjusted the operation of our enrichment facilities to take account of the current market demand and are efficiently using uranium feed. Enriched uranium inventories are forecast to decrease in the mid-term. In 2019, we accepted new business at levels that will enable us to reinvest in our enrichment facilities. We have once again fulfilled all of our delivery commitments and our customer satisfaction remains high.

#### **Political environment**

We are well prepared for the UK's withdrawal from the European Union (EU) and Euratom Treaty. We have ensured our products are in the right locations across the world and have built up our stock of critical items.

Germany is continuing to phase out nuclear power. We are in regular contact, and communicating transparently, with the German authorities. We are confident that we are demonstrating our long-term, sustainable commitment to our operations in Germany and the positive contribution they make to the German economy, particularly in relation to the retention of skills and advanced technology.

In the United States, we are engaging with policy makers, on the nuclear fuel cycle and the future of uranium mining in the country. We are carefully analysing the debates to determine any potential impact they may have on our business activities and will continue to maintain our deliveries to US customers and others around the world.

#### Our positioning

We are a geographically diverse supplier with the benefit of four enrichment facilities in the UK, Germany, the Netherlands and the USA. This gives us unique expertise, diversity of supply and the ability to manage market and geopolitical risks. Our additional services in responsible nuclear stewardship and the production of stable isotopes, strengthen our position as a global leader in the nuclear industry.

#### Our people

Our employees' development is vital for the continued long-term success of Urenco. We are constantly developing the internal training and progression programmes we offer. A key project in 2019 was a refresh of our values and brand to reflect our future direction. The result was based on the views of our employees and our main external stakeholders.

We are also strongly committed to investing in apprentices and new graduates. We now have more than 50 working across the organisation. Our global education initiative, the Richie programme, continues to thrive and we are strengthening our partnerships with the schools involved.

Our new Chief Executive Officer (CEO), Boris Schucht, joined us in May from 50Hertz in Germany and brings years of experience in the energy sector in Europe.

2020 will be my final year as Chairman of Urenco having joined the Board in 2009. In 2020 we will also be celebrating 50 years of Urenco. This is a significant achievement and preparations are underway to celebrate this milestone.

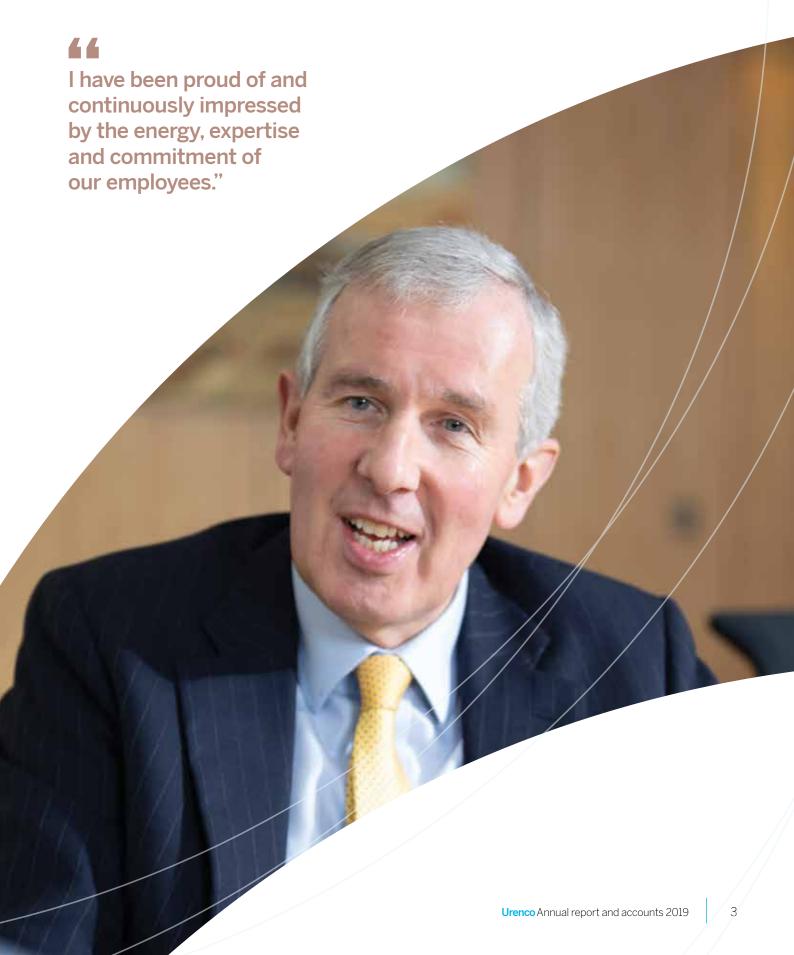
In my 11 years on the Board, I have been proud of and continuously impressed by the energy, expertise and commitment of our employees, whom I thank on behalf of the Board. Urenco has a bright future and I look forward to seeing the company continue to service the nuclear industry for the next 50 years.

Stephen Billingham, CBE

Steple Billing

Chairman

Underlying financial results relates to the financial results pre-exceptional items recorded in 2019. https://www.world-nuclear.org/information-library/current-and-future-generation/nuclear-power-in-the-world-today.aspx https://www.world-nuclear.org/information-library/current-and-future-generation/nuclear-power-in-the-world-today.aspx





# CHIEF EXECUTIVE OFFICER'S REVIEW

Boris Schucht reflects on a productive year for Urenco, in which progress has been made in developing our strategy and culture to strengthen future performance and ensure we continue to deliver for our customers.

#### What are the highlights for 2019?

Our three-year Strategy 2020 has concluded. It delivered more than the target €300 million in cumulative cash savings and efficiencies across the business, redefined our commercial strategy and we signed important new customer contracts. Our core business remains uranium enrichment. In addition we can provide uranium oxide, conversion services, natural uranium, enriched uranium product and inventory storage and management. This year we also opened a representative office in Beijing, China with the plan to grow our business in this market.

Our innovation included completing the construction of our Tails Management Facility in June, a billion euro investment in deconverting the by-product of our enrichment services for long-term storage pending reuse or re-enrichment. It is now in active commissioning. This facility demonstrates our commitment to sustainability and is an important milestone in showing our expertise in responsible nuclear stewardship.

We progressed plans to develop future fuels for peaceful purposes, following customer demand to enable power station reactors to operate more efficiently.



For our employees, we held our first Celebrating U event in Austria – a new recognition programme to encourage the retention of future leaders with Urenco (page 12). The development and wellbeing of employees has been a particular focus all year, with a number of health and fitness initiatives being run at each site and training delivered on mental health first aid and diversity and inclusion.



Above: **Tails Management Facility** Capenhurst, UK

### 44

# We are transitioning our strategy and culture to suit the new market dynamics and keep our financial performance robust."

#### How is Urenco looking financially?

Revenue was down compared to 2018 but EBITDA remained in line, while Net Income was impacted by exceptional items. Overall, however, we have achieved another year of robust financial performance. Revenue, EBITDA and Net Income pre-exceptional items all remained strong and in line with our expectations, driven by the current order book and our strong operational performance.

In 2019 our earnings were impacted by two exceptional items. First, we recorded a non-cash impairment charge against our USA operations due to long-term SWU prices being forecasted at a lower level than previously projected. Secondly, there has also been an increase in the valuation of the long-term nuclear liabilities of our European businesses as a result of changes to the discount rates applied to them, stemming from a reduction in real interest rates. These exceptional charges have resulted in a significantly lower net income of €8 million.

We have maintained robust cash generation and continued to reduce our net financial debt, now at its lowest level since its peak in 2015. We have a strong balance sheet and our credit ratings remain healthy.

Our contract order book extends to the first half of the 2030s with an approximate value of €10.6 billion and Urenco remains well positioned to serve our customers by supplying existing reactors and new build programmes globally.

# How did Urenco's operations perform?

Safety remains our core value and the key priority across our organisation. This year there were two Lost Time Incidents (LTIs) and seven Medical Treatment Injuries (MTIs), resulting in a Total Recordable Incident Rate (TRIR) of 0.39. This is a disappointing increase on last year, but it gives us the opportunity to further improve our safety through safety days. increased training and safety stand downs. Urenco measures its safety culture on the DuPont Bradley Curve, a proven proprietary system, to help organisations comprehend and benchmark their journey to world-class safety performance. Urenco is working to achieve 'interdependent' status at which employees feel enhanced ownership of and responsibility for the safety culture. A safety highlight this year was the number of safe working hours at our new Tails Management Facility (TMF). This was in excess of seven million working hours - a figure our UK employees are very proud of.

Operationally, it was a very strong year for Urenco's sites. In 2019 we delivered a record volume of separative work units (SWU – enrichment output). All site key performance indicators were met and the robustness of our plants was proved through regular tests throughout the year. Site improvement plans included cascade refurbishments, installation of solar panels and cross-site collaboration projects.

#### What about the risks facing Urenco?

Although nuclear power continues to grow globally, there remains a 'question mark' about its competitiveness in Urenco's traditional markets, which will impact the future level of demand for enrichment services.

Considering the recent global commitments to develop net zero carbon economies and the drive to reduce reliance on fossil fuels, it is essential for nuclear to retain a strong position within the energy mix.

In my opinion, nuclear undersells the contribution it can make – the technology and processes used in generating energy are carbon free, and nuclear energy across the whole lifecycle is as low carbon as using renewable sources. We need to focus on collaborating with our nuclear partners to pool our resources and knowledge and ensure the industry's cost effectiveness, efficiency and continued high levels of safety.

The other key risk for Urenco is the perception of nuclear power in certain countries in which we operate or do business. We continue to monitor closely and evaluate the political uncertainties that could impact us through regular engagement with our global stakeholders (pages 22 and 23) and are confident of continuing to meet our customers' needs.



#### What are the priorities for 2020?

When I joined Urenco in May 2019, I was asked what I believed to be the key elements of a successful business. I said a healthy and collaborative company culture, with strong leadership, employee empowerment and accountability. This is what I plan to do. I firmly believe this is true because culture is intrinsically linked with performance - something we are striving towards.

In the coming year we have the opportunity to build on the positive results of Strategy 2020, while learning from some of the challenges. This will ensure that we remain successful in a changing market. Our culture will support this by defining the behaviours needed to drive performance and achieve our goals.

We are transitioning our strategy and culture to suit the new market dynamics and keep our financial performance robust. This work is being undertaken through two intrinsically linked projects -'Our Strategy' and 'Our Culture' - which will be run in tandem under a new 'Our Future' programme (page 12).

There will be some major milestones in the year ahead. In March we will reach the 50th anniversary of Urenco's founding treaty - The Treaty of Almelo (page 9). We will be marking this through celebrations with employees and external stakeholders, reflecting on the importance of our treaty commitments, successes to date and future innovations, and looking to the next 50 years and remaining a trusted leader in providing sustainable energy.

In autumn 2020 we will complete the expansion of our Stable Isotopes facility, in the Netherlands. We have made this investment to meet the rapidly growing demand for enriched and depleted isotopes of elements for medical, industrial and research applications. Stable isotopes is an area of huge social value, providing improvements to everyday lives across the world - from medical diagnostics, therapy and pain relief to supporting the development of quantum computers.

My thanks go to our employees for the hard work and dedication they continue to show Urenco. I wish everybody a safe and successful 2020.

**Boris Schucht** 

Chief Executive Officer

Utility Area, UUSA

# **CORE BUSINESS**

# MAKING A VALUABLE, LONG-TERM CONTRIBUTION TO SUSTAINABLE ENERGY PROVISION

Our core business and activity which generates the greatest profit is uranium enrichment services. This is supplemented by providing other fuel cycle products, nuclear stewardship and stable isotopes.



#### **Skilled employees**

We have the capability and knowledge to achieve our goals through the expertise of our 1,500 employees<sup>3</sup>.

#### Robust financial performance

Our contract order book extends to the first half of the 2030s with an approximate value of €10.6 billion.

#### Diverse and secure fuel supply

We have the benefit of four enrichment facilities in the UK, Germany, the Netherlands and the USA. Our Group head office is near London, UK.



#### **Customer focussed**

We have more than 50 customers in 19 countries and met 100% of our delivery commitments again in 2019.

# **Global production capacity** 18,500 tSW/a at the end of 2019.

#### Responsible nuclear stewardship

Through two UK subsidiaries:

- Urenco Nuclear Stewardship materials management, recycling and decommissioning.
- Urenco ChemPlants deconversion, processing and storage services through our new Tails Management Facility.



#### **Expanding Stable Isotopes business**

Based in the Netherlands and meeting rapidly growing demand for enriched and depleted isotopes of elements for medical, industrial and research applications.

#### Highly efficient technology

Provided by our joint venture company, Enrichment Technology Company Limited.

<sup>3 81%</sup> of employees agree that Urenco has the capability and knowledge to achieve its goals, Organisational Health/Culture survey 2019.



#### **Our treaty commitments**

The Treaty of Almelo was signed in 1970 by the British, Dutch and German governments. This established robust safeguards to protect our technology from misuse and proliferation. As Urenco has grown, this international framework has been extended through treaties with the USA and France.

#### **Security**

The security of our sites and operations is paramount to protect our physical assets, people, IT systems and infrastructure. We are committed to preserving the privacy of personal data. We comply with relevant industry and regulatory standards.









Above left: **Urenco UK** Above right: **Urenco Nederland** Left: **Urenco Deutschland** Right: **UUSA** 

## **OUR BRAND**

Our purpose, vision, mission and values drive our strategic objectives and determine organisational culture.

#### **Purpose**

To be viewed as a respected, resilient and trusted supplier, believing that nuclear power is an essential part of the energy mix toward a more sustainable future. Through the use of our technology and expertise, we have a duty to help ensure everyone has the energy to succeed.

#### Vision

Through the expertise of our people, our technology and our portfolio of products and services, we play an essential role in delivering the energy to succeed.

#### Mission

To be a trusted leader in meeting the world's demand for sustainable energy.

#### Values



#### Safety

We are proud of keeping our people, the community and the environment safe and secure from harm and maintaining the reputation of our industry, products and services.



#### **Integrity**

We are honest, fair and respectful in how we conduct our business.



#### Leadership

We entrust our people to develop and support our leading role in the industry by being accountable, inclusive, collaborative and effective communicators.



#### **Innovation**

We have the energy, expertise and flexibility needed to help our customers and our business succeed over the long term.



#### Sustainability

We support the delivery of a successful long-term future by continuing to invest in our people, communities, technology and services and return value for our shareholders.



#### **CASE STUDY**

**Urenco's brand refresh** 

Urenco's refreshed vision, mission, values and visual identity are designed to reflect the future business needs of our organisation and support the delivery of our strategic goals.

The work on refreshing our brand work was completed in 2019 to help to address different challenges, such as those posed by the geopolitical environment in which we operate and the enrichment market.

In an inclusive process, which incorporated feedback from employees through organisation-wide focus groups, and also from key external stakeholders, Urenco's new identity began to be rolled out in March 2019.

Our refreshed brand reflects the broader range of services we are offering the nuclear industry and the development of our organisational culture to support our long-term sustainability.

# **OUR STRATEGY**

The Strategy 2020 project implementation successfully concluded. The key achievements were:

#### Pillar 1:

#### Optimise the way we do business

 We exceeded our target to achieve €300 million cash savings over three years, ending in 2019, and our sites are now working on additional ideas for cost reductions and efficiencies.

#### Pillar 2:

# Ensure we remain a global leader in enrichment services

- We added new supplies of enrichment and conversion services and enriched uranium product to our order book.
- We opened a representative office in Beijing to support sales in this market.

#### Pillar 3:

# Expand Urenco's high-tech capabilities to serve more broadly the nuclear industry

- Our Stable Isotopes business is expanding and our enhanced facility in the Netherlands is on schedule for completion in 2020 to provide new medical, industrial and research products.
- We are commissioning our new Tails Management Facility to responsibly manage the by-product of our enrichment services, which supports sustainable power generation.

In 2019 we launched a new strategic planning process to refresh our strategy, which is centred around continuing to:

- Be reliable partners for our
- Seek value and create new growth through new business opportunities.
- Ensure our people are at the heart of everything that we do, by being an employer of choice and maintaining a robust culture.
- Maintain a continuous drive to improve efficiency.
- Secure long-term and sustainable profitability.



Tails Management Facility
Capenhurst, UK

# **OUR ORGANISATIONAL CULTURE**

Through our employee engagement activities, Urenco aims to maintain high levels of employee commitment and satisfaction.



Marielle Smit Organisational Culture Programme Manager

Organisational culture and health go beyond employee engagement. They are important to drive financial and strategic performance by aligning and executing a common vision underpinned through innovation and creative thinking.

As part of this, we believe that it is important to support Urenco's strategy by leveraging the voice of our employees to understand how the organisation is managed today and where areas of improvement lie.

Healthy organisations outperform their peers on a number of different metrics including employee engagement, staff turnover as well as customer satisfaction. We expect that by focusing on organisational health we will be able to define the behaviours that really matter in making our organisation as successful as it can be

In order to understand Urenco's culture better, an organisational health/culture survey was conducted in October, with a strong response rate of 83%. It was supplemented by interviews held with a representative sample of managers from across the business.



Celebrating U winners at the United Nations Headquarters

# CASE STUDY Celebrating U

Celebrating U is Urenco's way of celebrating our employees – our most important asset. It is a way to recognise exceptional performance and contributions each year.

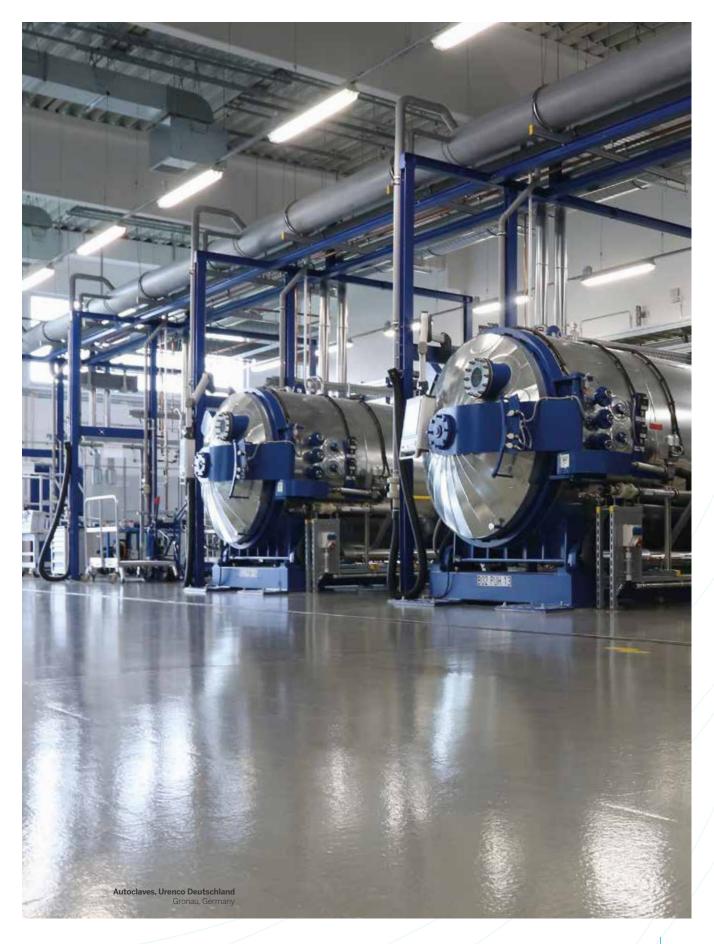
Our first Celebrating U event was held in Vienna this year and included an awards dinner at Schönbrunn Palace and tours of the United Nations Headquarters (UNHQ) and International Atomic Energy Agency (IAEA).

All employees attending the Celebrating U event were nominated by their managers in recognition of their excellence and commitment.

On a day-to-day basis employees can also show appreciation for each other through a 'Thank U' tool on the Urenco intranet. In 2019, there were almost 450 messages of thanks exchanged between colleagues and on average more than 2,000 visits to the intranet page every month.

The results showed our external orientation as a strength – our customer focus, competitive insights, business partnerships and community and government relations. Employee motivation is also strong.

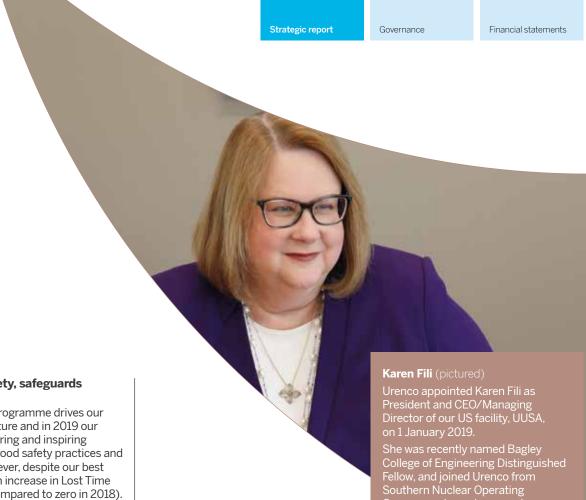
A Culture Lead Team has been identified and throughout 2020 we will be working with employees to fully understand these results. We will create and implement action plans to attract and retain employees that bring the right skills and behaviours to support our future operational and commercial success.



# OPERATIONAL PERFORMANCE HEALTH AND SAFETY, SAFEGUARDS AND SECURITY

Safety is our main priority and a core value for Urenco.





Health and safety, safeguards and security

Our Zero Harm programme drives our strong safety culture and in 2019 our focus was on sharing and inspiring colleagues with good safety practices and behaviours. However, despite our best efforts, we had an increase in Lost Time Incidents (two compared to zero in 2018).

We believe that all injuries are preventable and we remain highly vigilant at all sites, undertaking the following initiatives in 2019:

- · Safety observations
- · Safety assessment/inspections/audits
- · Safety meetings
- · Safety training

Our security programme is of huge importance to us. In 2019, we reviewed and enhanced procedures around classification, site entry, suspicious/ prohibited items, chemicals and improved cyber security controls.



Maintenance workshop Urenco Nederland

Safeguards and inventory inspections continue to be regularly completed across the Group with our sites meeting all applicable international regulations and standards. We provide ongoing support for Governments and safeguards for inspectorates and institutions with the aim of strengthening global safeguards. In 2019 we hosted and contributed to an IAEA training course at our UK facility.

#### Asset integrity and health

Urenco enriches uranium using centrifuge technology, which we have designed and deployed. Our technology has a number of benefits including:

- Low energy consumption
- High reliability
- Long continuous operating lifetime

We monitor continuously our centrifuges and associated plant systems to ensure they function reliably and effectively. This year they once again met their performance targets and proved their resilience during vigorous testing, including power loss situations. Another key part of our strategy is to perform regular 5S audits (sort, set in order, shine, standardise, sustain), conducted by cross-functional teams, in order to drive housekeeping improvements and meet our goal of achieving the highest industry standards in asset integrity.

Company, where she served as Site Vice President for Vogtle Units 3 and 4.

experience in the nuclear industry and her leadership will support successful ongoing operations

at UUSA.

# COMMERCIAL AND MARKETS OVERVIEW SUPPLIER OF CHOICE

Our global reach and diverse offering with our plants in four countries means we are well placed to meet the needs of our customers around the world.



"Urenco brings fuel supply stability, enrichment facility location advantage and price competitiveness."

Customer, 2019

#### **Our product offering**

- · Enrichment services
- · Enriched uranium product
- Natural uranium
- Conversion
- U<sub>2</sub>O<sub>8</sub>
- Inventory storage and management

#### Our transportation and logistics

We place the highest importance on the safe and timely transportation of uranic materials at all stages of the enrichment process, working with specialist audited transport suppliers.

We have entered into a long-term agreement for a vessel to provide regular transatlantic shipments of uranic materials. This ensures security of supply and cost certainty for our customers.

#### **Engagement with suppliers**

We ensure that our suppliers operate to high standards by holding regular meetings with them and running audits of the services they provide.

We frequently meet with suppliers to maintain our relationships and assess performance against the contracts and service levels we agree.

We pay particular attention to our fuel cycle suppliers where the Commercial team run additional audits, supported by qualified auditors and subject matter experts from our enrichment sites.

They are held with all new suppliers and then repeated every three to five years.

The audits verify that our suppliers, and any sub-contractors, have satisfactory quality management systems and hold appropriate certifications. They also ensure that our suppliers operate ethically within suitable published codes of conduct. The audits are conducted alongside Urenco's standard Counterparty Due Diligence procedure, which is aligned with our values and standards, Code of Conduct and Anti-Bribery and Corruption policy (page 25).

"Urenco is a reliable supplier with integrity and honesty.

Their company values reflect a pursuit of excellence."

Customer, 2019

#### **Ali Dyer** (pictured)

Ali Dyer, Urenco's Chief Information Security Officer (CISO), was selected as one of SC Media UK's 50 Women of Influence for 2019.

Ali was recognised by the outlet as one of several leading women who command the most influence in the UK cyber security sector.

She leads Urenco's cyber security team, performing a critical role in ensuring our infrastructure remains safe and secure.



<sup>&</sup>lt;sup>1</sup> Edited customer comments representing feedback from the 2019 reputation review.



#### **SWU** price

In March 2011 the enrichment spot price peaked at US\$155/SWU. Thereafter, there was a continuous decline to US\$34/SWU in August 2018, with no increase registered at any time during this period. Since then, the spot enrichment price, as reported by Tradetech and UxC, has moved upwards, reaching US\$47/SWU at the end of October 2019.

#### **Reactor demand**

Nuclear power capacity continues to grow and is focused in Asia, and especially in China. Urenco's recently opened representative office in Beijing will enable us to better explore the opportunities in this market. There are also positive signs in several Western countries with further investments in nuclear power, lifetime extensions of reactors and delays to the phasing out of nuclear power.

France will delay its planned reduction in the share of nuclear power in its electricity mix to 50% from the current 2025 target to 2035 and will look to close only 14 reactors by 2035. However, France has expressed an interest in initiating a nuclear new build programme and has asked EDF to prepare plans to construct up to six EPR nuclear reactors in the next 15 years.

**Spain** announced a postponement of its nuclear phase out, programming a progressive shutdown of its seven nuclear reactors between 2027 and 2035.

The USA has the world's largest fleet of nuclear reactors. Only two reactors were shut in 2019 for economic reasons. A further eight reactor shutdowns have been announced, which will take place by 2025. Several existing reactors successfully secured state financial support enabling their continued operation. Two new nuclear units are currently under construction and are scheduled to come online by 2022. Several nuclear power plants have applied for life extensions, which would extend the lifespans of reactor operations up to 80 years.

China continues to drive the global nuclear market with three new reactors scheduled to come online in 2019, after seven start-ups in 2018 (including the world's first AP1000s and EPR). In addition, six new projects with a combined capacity of seven gigawatts were approved for construction across Fujian, Guangdong and Shandong provinces.

**The UK** suffered two significant setbacks in 2019 to its nuclear programme, with the cancellation of the Moorside project and postponement of Wylfa Newydd. EDF's Hinkley Point C is the only project under construction in the UK.

## SUSTAINABILITY

Our sustainability programme is at the core of Urenco's business.



Javne Hallett Director, Corporate Communications, PR & Sustainability

Under our sustainability programme, we take into account how we operate, the impact we have and the decisions we make. According to McKinsey 'two thirds of businesses now consider a sustainability strategy necessary to be competitive today'.1

We continue to make good progress in sustainability thanks to the dedication and commitment of our organisationwide champions. For 14 years we have published a Sustainability Report and our programme is overseen and advanced by the Board Sustainability Committee (page 54).

In devising our programme we have aligned ourselves with the universal United Nations Sustainable Development Goals (SDGs), which are a blueprint to achieving a better and more sustainable future for all. A synopsis of how our business contributes to each goal can be found on our website.2



#### CASE STUDY

Promoting a sustainable energy mix in the Netherlands

We believe the future energy mix needs a variety of low carbon options, including nuclear and renewables. Solar panels have been installed at our Dutch site as part of our ongoing commitment to carbon-free electricity generation.

The next phase of the project will involve the installation of 8,300 panels on the roof of one building.

Our Group sustainability champions focused on six core sustainability areas:

- · Health and safety, safeguards and security - page 15;
- Environmental impact page 20;
- Supplier of choice page 16;
- Employee engagement/organisational health - pages 12 and 21;
- Stakeholder and Community engagement - pages 22 and 24; and
- Asset integrity and health page 15.

In 2019, we held our second internal sustainability seminar at our UK site. This was an opportunity for the sustainability champions to network and discuss the key sustainability issues currently being faced by Urenco and initiatives that will continue to drive the business. The seminar will continue to run on an annual basis.

https://www.mckinsey.com/business-functions/sustainability/our-insights/the-business-of-sustainability-mckinsey-global-survey-results
https://ureno.com/cdn/uploads/supporting-files/sdg.pdf

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We believe the future energy mix needs a variety of low carbon options, including nuclear and renewables."

#### Climate change

By furthering the decarbonisation of the electricity supply, our product supports progress towards a low carbon economy. We also take responsibility for our own carbon emissions. In 2019 our total emissions were 220,855 tonnes  $\rm CO_2-equivalent$  (24.31 tonnes  $\rm CO_2e/tSW$ ). This is a 5% reduction in emissions across the organisation compared to 2018.

Consumption of purchased electricity accounts for more than 95% of our total carbon emissions. Our electricity consumption across all four sites was reduced in 2019 (596 GWh, 2018, 588 GWh, 2019), mostly due to normal capacity decline and a decreased cooling demand resulting from milder conditions at our European sites.

Upgrades to the TC12 centrifuges in one unit in the Netherlands at the end of 2019 are expected to save around 1100MWh/year. We will install this upgrade in the remaining units in the Netherlands, as well as at our German and UK sites, in 2020. Pressure optimisation of the TC21 cascades in Germany was implemented at the end of 2019, and is expected to save approximately 450MWh/year.

We have projects to reduce the electricity demand of our lighting by increasing the use of LED bulbs and introducing sensors and timers.

We have started a project with Chester University to explore the potential for heat recovery at our Capenhurst site.

In 2020 we aim to reduce electricity use through efficiency measures, and will explore the options for setting a longer-term carbon reduction target. We are evolving our energy and carbon data systems and reporting in accordance with the requirements of the new Streamlined Energy and Carbon Reporting (SECR) UK legislation, and look forward to publishing our first set of results in line with this next year.



#### **CASE STUDY**

**Urenco UK goes electric** 

November saw Urenco UK make a sustainable switch by reducing the size of its van fleet and choosing fully electric vehicles (EVs).

Previously, the Capenhurst site had 25 diesel vans supporting its business operations. The fleet has been reduced to 22, 16 of which are now EVs. The remaining diesel vehicles will be phased out in the near future.

Our German and Dutch sites also use electric vehicles by providing charging stations on site and there are plans to increase their use across the organisation.

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#### **Nuclear materials management**

Responsible uranium stewardship is a vital part of the nuclear industry's licence to operate and an important element of our commitment to sustainability. We have expertise in responsible nuclear stewardship through our two UK subsidiaries, Urenco ChemPlants and Urenco Nuclear Stewardship. We have invested more than €1 billion in a state-of-the-art facility to manage the depleted uranium hexafluoride (UF<sub>6</sub>) or 'tails' produced by our core enrichment services. By converting this material to stable uranium oxide (U<sub>3</sub>O<sub>8</sub>), we support its long-term safe storage pending reuse or final disposal. Further information is set out on page 26.

#### Water

In 2019 we reduced water usage across the Group by 4% compared to 2018. We mainly use water for cooling, and the volume used is largely dependent on the weather. In the future, we will be focusing on water management for all sites in water stressed regions, for example our US facility in New Mexico.

#### **Diversity and inclusion**

Diversity and inclusion (D&I) is a high priority for Urenco. We want to create a workforce that reflects the societies in which we operate.

We believe that promoting and supporting inclusiveness and making the most of diversity is good business, creates a safer workplace, enhances decision making, improves performance and most importantly is the right thing to do.

Progress is being made with the implementation of specific D&I targets, based on external best practice and peer company feedback. Our D&I Steering Committee has developed a set of objectives to support the successful delivery of the organisational key performance indicators.

We have set enhanced goals for recruitment, succession planning and training. We have already achieved our goal to train at least 80% of employees across the organisation, with 93% of employees completing D&I awareness training. Currently 17% of our senior managers are female and we have a target of increasing this to 20% by the end of 2021.

This year, Urenco has worked with EW Group – a leader on equality, diversity and inclusion – to run a series of focus groups and one-to-one interviews with select individuals from across the business to gather intelligence on what D&I means to our employees. As a result, we created 'Including U' – a global diversity and inclusion programme. It has included rolling out the aforementioned training and encouraging employees organisation-wide to become Including U Champions. They will identify, develop and implement a range of initiatives to support Urenco's D&I efforts.

A D&I policy statement has been published on the corporate website and our Long Term Incentive Programme (LTIP) contains targets linked to D&I (page 58).



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# Integral to our sustainability approach is our engagement with local communities in which we operate."

# **Stakeholder engagement**Urenco's stakeholder policy outlines our

approach to stakeholder engagement. We conduct mapping on a regular basis to ensure that the list of stakeholders with whom we engage is up to date. We log interactions with these individuals in a global stakeholder log so that any areas of particular interest or concern that may arise over the course of the year can be managed and mitigated.

The nuclear industry is greatly influenced by the political landscape and national policy. We review potential changes in policy and consult with relevant national stakeholders to ensure our decisions are informed and reflect the interests of those who matter to our business. Our Government Affairs team continues to monitor and engage with key political issues such as nuclear new build and the UK's withdrawal from the European Union and Euratom.

Integral to our sustainability approach is our engagement with local communities in which we operate. This ensures that local communities understand our business and support our social licence to operate.



We are also committed to increasing public understanding of the key role that nuclear power plays within a balanced energy mix. We host more than 2,500 visitors across our facilities each year including customers, community groups, government and industry. We also engage at regular council, local liaison and elected representative meetings.

We continue to channel our practical support through our volunteering policy, which provides all employees with eight hours per year to offer a service in their local community. The policy helps to strengthen relationships with local communities, allows employees to develop skills in areas such as teamwork and leadership, demonstrates a commitment to our core values and enhances our position as a good corporate citizen. In 2019 more than 2,800 employee hours were spent volunteering in local communities.

The first publication of our quarterly global stakeholder newsletter was issued in June 2019.

Our second reputation review was conducted in September 2019. The key findings were consistent with those in 2017 review, as follows:

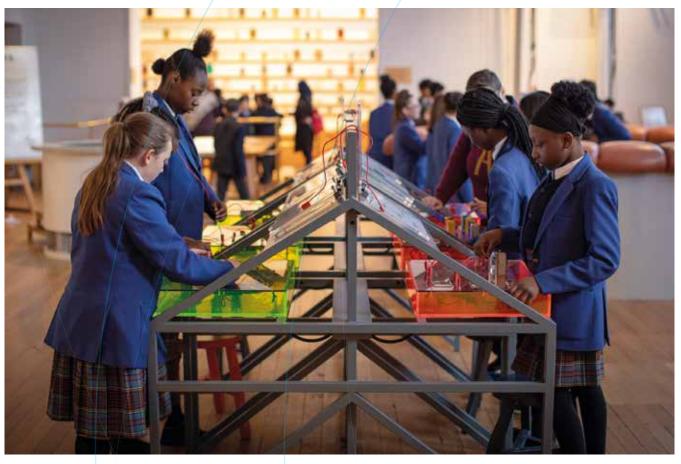
- 100% believe Urenco is a sustainable, long-term partner for the nuclear industry.
- 100% said Urenco's Richie education programme is worthwhile in making a valuable contribution to the education of young people and communities.
- 93% said they have a 'very good' or 'good' opinion of Urenco and its business operations.
- 83% rated the quality of Urenco's communications as seven out of 10 or higher.
- 80% agree that Urenco lives up to its values of Safety, Integrity, Leadership, Innovation and Sustainability.

Stakeholders were also asked to describe Urenco's brand in three words. The top three words used were 'professional', 'safe' and 'reliable', followed by 'sustainable', 'trusted' and 'innovative'.

Tails Management Facility official opening Capenhurst, UK Sustainability continued Strategic report Governance Financial statements

#### Key stakeholder engagements in 2019

Stakeholder group	Type of engagement	Example topics raised	Achievements in 2019
Customers/suppliers	Regular contact (including visits to Urenco's sites)     Press/news releases     Social media	Environmental data     Customer deliveries	Environmental data     Customer deliveries
Employees	HUB App and Intranet     Employee briefings/all-hands meetings/work councils     Surveys	Brand refresh     Culture and strategy     Safety     Pension scheme	More than 2,800 employee hours spent participating in a volunteering initiative     Culture survey achieved a 83% response rate and 81% of employees agree that Urenco has the capability and knowledge to achieve its goals     High number of employees participating in safety days
Pensioners	Meetings     Pension bulletin     Letters	Information on investments     Administrative changes     Tax implications	Meetings well attended     Regular bulletins issued     Prompt responses to all queries
Government/politicians/ regulators	Regular contact (including visits to Urenco's sites)     One-to-one meetings	<ul> <li>UK withdrawal from European Union and Euratom</li> <li>Nuclear fuel-cycle and uranium mining in the US</li> <li>Sanctions</li> <li>UK Nuclear Sector Deal</li> </ul>	Frequent site visits     Regular political and regulatory meetings and involvement in working groups
Investors/shareholders/ banks/rating agencies	Investor roadshows     Shareholder working groups	Market conditions     Economic performance     ESG ratings     Decommissioning funds	Regular one-to-one meetings     Full year results presentation
Local communities/school children/apprentices/ graduates	Local liaison and dialogue     Practical and financial support     Richie education programme	Science education     Sponsorships and donations     Urenco's involvement in the nuclear industry	Regular meetings with councils, local liaison committees and elected representatives     Frequent site tours     More than 80,000 students participated in the Richie programme globally
Media/social media	Tours of enrichment facilities     News releases	Financial results     Nuclear stewardship     High assay, low enriched uranium (HALEU) capabilities	Several news releases per month     Press interviews to highlight pertinent topics and key industry updates     Weekly social media posts
Non-governmental organisations	Membership of industry associations	<ul><li>Political landscape</li><li>Public education</li><li>Innovation and technology</li><li>Opportunities in new markets</li></ul>	Sponsored and exhibited at all leading industry events



#### Richie education programme

A key area of our community outreach is our Richie education programme, which aims to nurture an interest in science, technology, engineering and maths (STEM) by providing specific support to schools, colleges and universities.

Our focus on education enables us to engage with key stakeholder audiences/influencers that can be difficult to access, i.e. teachers, carers and next generations and create a greater understanding of nuclear energy.

The programme provides a practical and

theoretical learning platform for local schools. This is achieved through the delivery of a series of science workshops to children of primary school age, primarily at locations local to Urenco's operational facilities and head office. Since 2015, we expanded our reach into secondary schools through a partnership with the British Science Association (BSA), enabling us to launch Urenco's own 'CREST' digital resource. As a result of its success in the UK, we are supporting the BSA with their international expansion.

Our CREST resource was completely rolled out to the Netherlands in 2019. Further expansion of the resource is planned to take place in Germany and the USA in 2020.

In 2019, Urenco reached around 75,000 students with its digital resources and more than 8,000 with physical school workshops.

We continue to partner with key institutions, including the Science Museum in London, in order to raise awareness of the Richie education programme and expand our network of students, teachers and parents. In 2019 we continued to be a major sponsor of 'Wonderlab: The Equinor Gallery' in London's Science Museum and hosted our sixth annual Richie Lecture inside the show space of the gallery to more than 100 students. A video of the lecture is available on our website here: www.urenco.com/sustainability/material-areas/richie-education-programme

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In 2019, Urenco reached around 75,000 students with its digital resources and more than 8,000 with physical school workshops."

Students at Richie Lecture Wonderlab: The Equinor Gallery Science Museum Sustainability continued Strategic report Governance Financial statements

#### **Ethical conduct**

As a responsible business, Urenco is committed to upholding the highest ethical standards of professionalism, integrity and accountability.

Urenco's global Code of Conduct sets out a series of non-negotiable behaviours designed to ensure we protect the long-term interests of our business and the people who depend on us, including our employees, customers, suppliers, shareholders and communities.

Urenco is committed to having a culture whereby employees feel empowered to raise and openly discuss concerns about anything that does not conform to our Code of Conduct or any of Urenco's values. Managers are responsible for ensuring that concerns raised are taken seriously, are addressed promptly and any information given is treated in confidence.

Urenco has a whistle blowing mechanism in place for any employee who feels unable to raise concerns directly or does not believe that management has appropriately dealt with their complaint. This can be raised anonymously if preferred.

The organisation's whistle blowing mechanism can be accessed via an alert line. This is a free to call and confidential service to enable employees to report any concerns to an external and completely independent organisation.

These facilities are also available to customers or suppliers who may feel that they have witnessed any unethical or inappropriate behaviour by Urenco or any third party operating on its behalf.

Our Anti-Bribery and Corruption policy ensures our employees are aware of our zero-tolerance approach to bribery and corruption. We are committed to acting with integrity in all our business dealings and relationships wherever we operate and have similar expectations for our suppliers and customers.

Urenco is also committed to protecting the privacy and confidentiality of our people. This means that we all have a responsibility to keep personal data secure and observe the privacy of individuals. In May 2018, Urenco and other businesses in Europe were subject to a new EU law on data protection – the General Data Protection Regulation (GDPR). This imposed stricter obligations on us as an organisation in relation to how we use the personal data which we control and hold. Privacy policies have been put in place to ensure Urenco adheres to the new legislation. Online GDPR training has been rolled out and completed for select employees in Urenco's UK, Dutch and German sites.



### **CASE STUDY**

Giving back to US communities through the 9/11 day of service

In September, employees at our US site, UUSA, honoured those who were impacted by the events of September 11 2001, by working on home and community improvement projects.

During the 9/11 Day of Service, volunteers assisted senior citizens with repairs needed to improve their quality of living and also enhanced public spaces.

What started as a minor project in 2008 by a handful of employees, has evolved into an annual community service event with more than 200 volunteers participating. In total, more than 170 homes have been improved since the inception of this project.

# **INNOVATION**

We will ensure we remain a global leader in the nuclear industry, with innovation as one of our key values. We are positive about nuclear and the sustainable energy it provides, the modern lifestyles it sustains, its role in achieving a net zero carbon world, its medical applications and other future innovative developments, such as quantum computing.

#### **Tails Management Facility**

This year we completed the construction of our Tails Management Facility (TMF) in the UK, achieving more than seven million hours of safe working. This made the TMF one of the safest construction sites in the UK.

The TMF was officially opened in June at a ceremony attended by senior representatives from UK Government, industry and the local community.

The facility will manage the by-product of our core enrichment services – depleted uranium hexafluoride (UF $_6$ ) or tails – by converting it to stable uranium oxide (U $_3$ O $_8$ ) for long-term safe storage pending reuse or final disposal.

Active commissioning of the TMF is continuing. It is a key element in Urenco's commitment to sustainable energy generation and is a tangible demonstration of our responsible management of nuclear materials.

#### **Urenco Stable Isotopes**

Due to their versatility, our centrifuge technology is not limited to the separation of uranium isotopes. They can also be used for the separation of other isotopes – including cadmium, germanium, iridium, molybdenum, selenium, tellurium, titanium, tungsten, xenon and zinc – for medical, industrial and research applications.

In the early 1990s, the production of stable isotopes started as a diversification project at Urenco's enrichment facility in the Netherlands and it began operating as an independent business unit from the middle of that decade.

This is a growing market and we are expanding our facility to meet the demand, with enhanced operations expected to be live in 2020. We are looking forward to working with customers on new research and development projects, producing high quality and cost efficient products and solutions which will change lives – from the diagnosis of serious illnesses to super-fast computer processing power.



We will ensure we remain a global leader in the nuclear industry, with innovation as one of our key values."

#### **Next generation fuels**

Urenco is exploring the provision of LEU+ (low enriched uranium +) – up to 10% U<sub>235</sub> enrichments which can be used for existing light water reactors seeking to achieve higher burnup rates and/or extended operating cycles.

We also remain committed to developing fuels for all new nuclear reactors, including advanced reactors and small modular reactor designs, such as U-Battery – a micro nuclear reactor we have been progressing with a consortium of partners and which is participating in the UK's Advanced Modular Reactor (AMR) programme.

This year our US site, UUSA, announced its capability to provide high assay low enriched uranium (HALEU) –  $U_{235}$  enriched up to 19.75% – to be used for peaceful purposes in existing and new power plants as well as for research, test and medical isotopes facilities.

Urenco aims to retain its position as a global supplier of choice for these next generation fuels for civil nuclear reactors, and we are inviting customers to discuss their requirements in this area.





Tails Management Facility Capenhurst, UK





Urenco Stable Isotopes Almelo, The Netherlands

# PRINCIPAL RISKS AND UNCERTAINTIES

Risk management and mitigation is a key area of focus for Urenco. Across all areas of Urenco, we work hard to raise risk awareness and we have developed a range of measures to help identify, manage and mitigate potential risks and threats that could impact our business.

#### Our approach

Robust risk management is at the centre of our business ethos and operations. It is a vital component of our global leadership within the nuclear industry. As part of our Governance, Risk and Control framework, we follow best practice and ensure we comply with the rigorous legal requirements under which we operate.

Operating in a heavily regulated industry, we focus on early identification of risks and implementing appropriate risk evaluation and mitigation or avoidance strategies. Our Risk Management function works with our corporate functions and enrichment sites to ensure that a bottom-up risk management process is performed and captures key risks, their controls and planned actions. This is then consolidated and reviewed by our Group Executive Committee and Board.

Similarly, we operate a top-down risk management process to ensure that any strategic risks or uncertainties not captured by the bottom-up process are captured and assessed by both the Group Executive Committee and the Board on an annual basis. The Group Audit and Risk Management Committee is also responsible for reviewing the risk management process on an annual basis.

#### Our risk management framework is based on a 'three lines of defence' approach:

# **1st Line** Operational management

tasked with identifying and assessing risks on an ongoing basis and is responsible for implementing and maintaining appropriate controls aligned to the organisation's policies and procedures.



## **2nd Line**Risk management and compliance

effective operation of the organisation's risk management framework. Our Compliance, Risk Management and Internal Audit functions support the business in ensuring effective implementation of and compliance with the risk management policies and procedures across the business.

# **3rd Line**Governance

Our Internal Audit function provides independent assurance to ensure that controls are implemented and are operating efficiently and effectively across the organisation.



During the year, the Board has considered the nature and level of risk that we are prepared to accept in order to deliver our business strategies. The Board considers that the principal risks to achieving its strategic aims are set out here.

#### Risk Mitigation

#### 1. Safety

Urenco operates in an environment subject to a wide range of health, safety and environment laws, regulations and standards. If we fail to comply with these requirements there is a risk that we will be subject to regulatory enforcement action, which is likely to adversely impact our employees, result in the imposition of restrictions on how we operate and could prove detrimental to our reputation.

We seek to operate to the highest standards of safety to maintain a safe environment for our employees and stakeholders and have implemented safety management systems, designed to minimise risks and ensure compliance with safety standards through regular monitoring.

We ensure we meet regulatory requirements, follow regulatory protocols for the safe handling of uranium and other chemicals and focus on continuous improvement and the detection and remediation of potential hazards before incidents can occur. By adhering to best practice in this area, we continually seek to ensure minimal impact on employees, contractors, the public and the environment

#### Risk Mitigation

#### 2. Markets

Ongoing challenging market conditions are likely to continue to impact opportunities for growth in both existing and new markets.

In an increasingly volatile and complex market environment we remain committed to ensuring that our business is as resilient as possible to meet these challenges. We continue to ensure that we are able to maximise our global reach, technical capabilities and flexible plant operations to support our ability to respond to changing market conditions, customer demands and opportunities.

We also continue to model a broad range of market scenarios and stress test the effectiveness of our commercial strategies, mitigations and responses to new and emerging market threats and opportunities.

#### 3. Safeguards

There is a potential risk for uranic material to be misappropriated from our enrichment facilities or during its transportation to or from our customers and supply chain partners.

Urenco works closely with governments and regulators to create and comply with safeguard regimes and we continually maintain and review our uranium tracking methods on site. A common set of safeguards is applied across the organisation to ensure non-proliferation and prevent the misappropriation of uranic material.

Our safeguard programmes are also supported by a rigorous accounting and audit approach to the uranic materials we keep on site to ensure that we consistently meet the stringent inspection criteria set by the International Atomic Energy Agency (IAEA), Euratom and other national and international regulators.

The safety practices of our transportation partners are guided by the standards we set at Urenco. Such standards reduce the risk of an accident or the misappropriation of sensitive materials. We adhere to IAEA guidelines and all other national and international regulations regarding the transportation of fissile material. We place contracts only with approved companies and ensure we perform regular contract and performance monitoring audits.

#### 4. Security and cyber crime

We need to ensure the security of fissile material and our own technology and assets, particularly with regards to the increasing threat of cyber crime to the energy sector. This exposes Urenco to an ongoing risk of cyber attack which could result in loss or corruption of data or disruption to operations causing reputational damage.

We continue to work closely with the relevant government bodies, across the jurisdictions in which we operate, to ensure that we comply with all applicable national and international security requirements and understand the nature of new and emerging physical and cyber security threats.

Each of our sites is also supported by dedicated security resources to control access to sites, actively screen all personnel, and ensure appropriate security policies and procedures are implemented. The effectiveness of security policies and arrangements are monitored and risk assessed on an ongoing basis by the Urenco Group Security function.

Our cyber security and resilience capabilities are subject to regular review and risk assessment to ensure we have the ability to prepare for, respond to and recover from cyber events or attacks which have the potential to negatively impact Urenco.

In 2019 we also created a clear roadmap to further enhance our threat intelligence and incident response capabilities to meet the challenges of the continually changing cyber environment. This initiative receives Executive-level sponsorship and is subject to regular independent assurance to ensure its effective delivery.

Risk Mitigation

#### 5. Transport

The availability and willingness of third-party logistics providers, regulators or port authorities to transport or accept uranic materials may impact our ability to optimise the benefits of global infrastructure.

Where possible, we ensure the availability of alternative routes and maintain a portfolio of logistics partners to ensure continuity of deliveries. We work closely with our supply chain partners to engage with, and provide assurance to, port authorities and regulators regarding our compliance with international regulations regarding the transportation of fissile material.

#### 6. Political and regulatory landscape

#### Policy

The nuclear industry remains a topic for debate with public and government opinion differing on its role in the future energy mix. In any jurisdiction, a change in government can bring about a change in policy, while unanticipated events can also change policy direction.

#### Regulation

Our operations and development are controlled by our ability to meet the stringent regulatory requirements of each country we operate in and supply. We are answerable to multiple national governments and subject to penalties if required standards are not met.

Urenco continually monitors nuclear policy around the world. We engage with policymakers and stakeholders to ensure that the benefits of nuclear as a sustainable, long-term and low-carbon source of energy are understood and considered as part of both the energy debate and future government policy.

Urenco maintains compliance activities across the business. Our strong relationships with government regulators are managed locally by our Heads of Compliance at our enrichment sites, while our organisation-wide functions also maintain an open dialogue with both national and trans-national regulators (e.g. the IAEA) and other government agencies. All learning elicited from our engagement with regulators is then shared across the organisation through internal workshops and communications.

#### 7. Pricing

The market fails to recover to the level expected, resulting in future prices not being sufficient to support and sustain ongoing investment in enrichment capability and future centrifuge innovation and development.

We seek to ensure that our contracts with customers incorporate agreed forward pricing to mitigate price risk. While recognising that our responses to new market opportunities are competitive and offer a clear value proposition to our customers, we ensure that our future contracts do not compromise our ability to support and finance re-investment as well as the ongoing manufacturing and development of our enrichment technology.

#### 8. Geo-political risk

New and emerging geo-political risk creates significant uncertainty and volatility across global economies and global institutions. Movements away from political centrism, increased nationalist and populist sentiments and growing economic protectionism, allied to worsening diplomatic relations, all contribute to an increasingly volatile world, which has the potential to impact Urenco's ability to access or operate within certain international markets.

Urenco's ability to deploy the advantages of its geographical diversity across its operations and value chain provides a degree of resilience and redundancy against the potential impacts arising from global uncertainty and geo-political risks. We regularly assess and evaluate potential responses to a range of business and geo-political scenarios that may arise and ensure that appropriate continuity and mitigation plans are in place.

We also seek to mitigate any financial impacts of potential risks, arising from increased political or geo-political uncertainty, through a combination of hedging against foreign exchange rate risk, adjusting fixed and floating rate borrowings through interest rate swaps, and ensuring that adequate medium-term committed funding is always available.

#### 9. Counterparty risk

Urenco is exposed to payment and default risk arising from worsening macro-economic conditions while transacting with both customers and other participants in the nuclear supply chain.

Urenco has robust customer on-boarding, monitoring and reporting procedures. We routinely assess the creditworthiness of Urenco's commercial counterparties and partners and seek to incorporate appropriate credit or payment protection into commercial agreements where appropriate.

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#### Risk Mitigation

#### 10. Change management

There is a risk that Urenco lacks the capability, experience and capacity culture to successfully design, execute and integrate major change programmes, acquisitions or infrastructure projects across the business.

Major change programmes and infrastructure projects are subject to appropriate governance structures and oversight frameworks seek to ensure the effective delivery of projects within expected cost and schedule parameters.

Change programmes and projects are also subject to both independent internal and external audit and assurance reviews to monitor project performance and seeks to ensure appropriate controls and arrangements are in place to support early identification and resolution of risks and issues.

An Organisational Health programme has been initiated and seeks to ensure we have a shared understanding of how Urenco's organisational health, culture and ways of working can best support Urenco in achieving its goals and delivering its strategic projects and change programmes.

#### 11. Long term liabilities

The cost and timing of Urenco's long-term nuclear activities are based on a number of management estimates relating to operational parameters and long-term cost assumptions, as well as being subject to external factors that Urenco can influence but not control, for example, government policy for long-term disposal costs of depleted uranium oxide ( $U_3O_8$ ).

Urenco regularly reviews the assumptions and estimates that support its nuclear provisions, taking into account past experience, current research and potential future developments.

In addition, Urenco continues to work with its regulators and government agencies, in partnership with other nuclear operators and stakeholders, to ensure that a sustainable and economically viable solution for the long-term storage of fissile material is developed.

#### 12. Colleague retention and continuity

We need to ensure we make the necessary investment in our people and succession planning processes to guarantee that we have the appropriate skills and experience to support Urenco's long-term sustainability.

Focused development and succession planning programmes are in place across the organisation to ensure that our colleagues' development plans are aligned with the organisation's needs and support the development of a sustainable pipeline of talent.

#### 13. Brexit

Urenco, as with other major corporate bodies, is likely to be affected by the complexity and interdependencies of potential risk outcomes presented by the UK's decision to leave the European Union and Euratom.

Of particular significance for Urenco is the potential for the UK's withdrawal from the European Union to delay or interrupt both the movement and delivery of materials and to impact our ability to share uranic technical data and information between our UK and European operations.

Also of significance are the potential impacts and associated risks that may arise from the new trading relationships that will be defined following the completion of the European Union (Withdrawal) Act. These are likely to include arrangements regarding new trading agreements, customs arrangements and other mutual recognition agreements between the UK, the EU and other third party countries

Urenco established a Working Group to ensure that we have a suitable level of preparedness to mitigate risks that emerge from both the withdrawal process and the subsequent redefining of the UK's relationship with the EU. Its focus will remain on ensuring that appropriate pre-planning arrangements are maintained in place to support continuous operations and delivery from all of our sites.

Specifically, the Working Group will continue to:

- Assess the potential impacts of the UK's exit from the European Union, across a range of scenarios.
- Evaluate Urenco's likely exposures across each of those scenarios.
- Identify the mitigation and contingency plans required to mitigate the impact of risks arising from the withdrawal process and future trading relationship negotiations.
- Ensure that the status and robustness of risk mitigation measures and contingency plans implemented are regularly reviewed.
- Report regularly to the Board on the Working Group's deliberations.

#### 14. Critical suppliers

Across our supply chain we are reliant on products and services, provided through a number of critical third parties. There is a risk that critical or single source suppliers are either unable or unwilling to continue to supply goods or services resulting in disruption or delay to operations.

A key element of the Group Procurement strategy is to ensure that the provision of critical services or products is supported by robust supplier risk assessment, ongoing supplier monitoring, the identification of alternative vendors and contingency planning processes seek to ensure appropriate responses are implemented to suppliers identified as being in distress.

# **GROUP FINANCE REPORT**



In 2019 EBITDA also benefited from lower net costs of nuclear provisions (€19.4 million) and lower other operating and administrative expenses (€12.0 million).

The net costs of nuclear provisions (before exceptional items)<sup>3</sup> were €154.7 million in 2019 compared to €174.1 million in 2018, a decrease of €19.4 million.

The net costs for tails provisions in 2019 were €8.2 million higher than those for 2018. The higher costs of tails provisions created arose due to the higher volume of new tails generated during 2019 and uplifts in the unit deconversion cost estimates of tails for both the European and US enrichment operations. The increased release from the tails provisions relates to the optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts.

#### Tails provision movement<sup>3</sup>

	2019 €m	2018 €m	increase/ (decrease)
Additional provisions in the year	212.5	144.7	67.8
Release from provisions in the year	(88.8)	(29.2)	(59.6)
Net costs for provisions in the year	123.7	115.5	8.2

The net costs for decommissioning provisions in 2019 decreased by €66.8 million primarily due to a lower charge for additional provisions, with 2018 reflecting the triennial review of nuclear liabilities, together with a slightly higher release of provisions in the year associated with cylinder assets.

#### Decommissioning provision movement<sup>3</sup>

	2019 €m	2018 €m	increase/ (decrease)
Additional provisions in the year	-	65.9	(65.9)
Release from provisions in the year	(9.7)	(8.8)	(0.9)
Net costs for provisions in the year	(9.7)	57.1	(66.8)

The net costs for other nuclear provisions in 2019 increased by €39.2 million primarily as a result of changes to the forecasts for future re-enrichment of low assay feed.

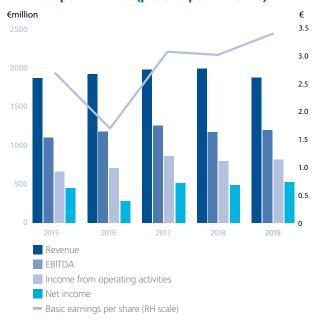
Other operating and administrative expenses<sup>4</sup> were €424.7 million in 2019 compared to €436.7 million in 2018, a reduction of €12.0 million. In the first half of 2019 the assets and liabilities of the Dutch-defined benefit pension scheme were transferred to Pensioenfonds Grafische Bedrijven ("PGB"), a multi-employer pension scheme, which resulted in a loss of €6.9 million to the income statement. In 2018 a provision of €17.3 million was made for a potential bad debt associated with a specific customer and this position remained unchanged at the end of 2019. Adjusting for these two items, other operating and administrative expenses for 2019 were broadly in line with the prior year.

The EBITDA margin for 2019 was 67.6% compared to 61.3% in 2018, with the EBITDA margin in 2018 being adversely impacted by the triennial review of nuclear liabilities carried out in that year.

#### **EBITDA** performance

	2019 €m	2018 €m	% increase/ (decrease)
Income from operating activities pre-exceptional items	850.2	826.5	2.9
Adjustment for depreciation in inventories, SWU assets and nuclear provisions	18.6	47.5	
Add: depreciation and amortisation	356.2	329.2	
Adjustment for share of results of joint venture	(5.4)	(2.8)	
EBITDA	1,219.6	1,200.4	1.6

#### Financial performance (pre-exceptional items)



#### **Exceptional items**

Exceptional items totalling €643.0 million on a pre-tax basis (€557.2 million post-tax) were reported in 2019 (2018: €nil). The total net income tax credit associated with the exceptional items was €85.8 million (2018: €nil).

The majority of the charge relates to an impairment of the carrying value of the US operations of €500.0 million (€446.0 million post-tax), as a result of further downward pressure on long-term price forecasts for uncontracted SWU volumes, compared with those assumed at the time of the construction of the US operations and also since the impairment charge recorded in 2016. These pressures are due to a combination of factors, including premature closure of nuclear reactors due to economic reasons, primarily in unregulated markets, excess capacity in global enrichment and the build-up of surplus inventories.

In addition, an exceptional charge of €143.0 million on a pre-tax basis (€111.2 million post-tax) arose due to the increase in the value of nuclear provisions held by the European enrichment businesses following a revision to the discount rates applied to the provisions due to continued downward pressure on real interest rates in Europe. Of the €143.0 million, €111.3 million relates to tails provisions and €31.7 million relates to decommissioning provisions.

EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and ioint venture results and a reconciliation to income from operating activities

EBIT DAis defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results and a reconciliation to income from operating activities (pre-exceptional items) is set out on page 96.

Change to inventories of work in progress, finished goods and SWU assets in 2019 were €(5.5) million, (2018: €(146.5) million).

Excluding the increase in the value of nuclear provisions held by the European enrichment businesses following a revision to the discount rates, which is treated as an exceptional item.

Other operating and administrative expenses are defined as employee costs, other expenses and restructuring provision charges/releases but excluding any associated elements of depreciation. In prior years this term also included changes to inventories and SWU assets.

In 2016 the Group recorded a restructuring provision of €33.0 million associated with the implementation of Strategy 2020. In 2019, €2.9 million (2018: €2.3 million) of this restructuring provision was released to the Income Statement following a re-forecast of the costs to complete the restructuring programme. The release of restructuring provision in each of 2019 and 2018 has not been classified as an exceptional item as each was below the materiality threshold set out in the Group's policy on exceptional items.

## Impact of exceptional items

Net income – after exceptional items	7.6	511.3
Exceptional item (after tax) – change in discount rates	(111.2)	
Exceptional item (after tax) – US impairment	(446.0)	-
Net income – before exceptional items	564.8	511.3
	2019 €m	2018 €m
Income from operating activities – post-exceptional items	207.2	826.5
Exceptional item (before tax) – change in discount rates	(143.0)	-
Exceptional item (before tax) – US impairment	(500.0)	-
Income from operating activities – pre-exceptional items	850.2	826.5
	2019 €m	2018 €m

#### **Net income**

Net income after exceptional items was €7.6 million in 2019 (2018: €511.3 million).

Net income before exceptional items was €564.8 million in 2019, an increase of €53.5 million (10.5%) compared to the 2018 net income of €511.3 million. The net income margin before exceptional items for 2019 was 31.3% compared to 26.1% for 2018.

Depreciation and amortisation for 2019 was €356.2 million, compared to €329.2 million for 2018, with the higher charge in 2019 reflecting adverse impacts from movements in foreign exchange rates in addition to an increase in the depreciation of decommissioning assets following the triennial review carried out in 2018.

Net finance costs for 2019 were €107.1 million, compared to €106.0 million for 2018.

The net finance costs on borrowings (including the impact of interest rate/cross currency interest rate swaps) were  ${\in}5.8$  million higher at  ${\in}81.1$  million, reflecting the  ${\in}9.9$  million of costs associated with the repurchase and cancellation of  ${\in}215.6$  million of February 2021 Eurobonds. Underlying net finance costs were lower reflecting the lower levels of net debt in 2019, although this is partially offset by the lower levels of interest income on cash balances.

Where appropriate, foreign currency loan balances are placed in accounting hedge relationships, primarily by means of cross currency swaps. Where this is not possible the retranslation of the relevant unhedged loan balances (denominated in US dollars and euros but held by a sterling functional currency entity) generate gains/losses as a result of foreign exchange movements in the year. In 2019 the impact of this was a loss of €15.5 million (2018: €30.1 million loss) reflecting relevant unhedged balances and movements in foreign exchange rates. In 2019, the impact of ineffective cash flow hedges was €nil (2018: €6.4 million gain).

The increase in the unwinding of discounting on provisions was  $\[ \le \] 10.3 \]$  million higher at  $\[ \le \] 69.2 \]$  million, but this increase was largely offset by an increase in capitalised interest of  $\[ \le \] 5.9 \]$  million to  $\[ \le \] 62.4 \]$  million.

In 2019 the pre-exceptional tax expense was €178.3 million (an effective tax rate (ETR) of 24.0%), a decrease of €30.9 million over the tax expense of €209.2 million for 2018 (ETR: 29.0%).

The decrease in the ETR from 29.0% to 24.0% is driven by three factors: i) the 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 (decrease of 4.7%); ii) the impact of adjustments in respect of previous years (decrease of 0.5%); and iii) changes in the relative proportions of profits and losses generated across the four jurisdictions in which Urenco operates (decrease of 0.4%) which are partially offset by the impact of changes in overseas tax rates (increase of 0.6%).

## Tails deconversion, storage and eventual disposal

Urenco provides for the costs of deconverting the by-product of the enrichment process (chemically converting tails from UF $_6$  to U $_3$ O $_8$ ), interim and long-term storage, and eventual disposal. During the year the Group reviewed the costs associated with tails deconversion, storage and disposal.

Additional total tails provisions created in the year were €323.8 million (2018: €144.7 million), due to tails generated in the period, increases in the applied tails deconversion rates for both the US and European enrichment operations, and a change in discount rates. The impact of the additional total tails provisions created in the year includes the impact of the reduction in the real discount rate for the European jurisdictions. This increased tail provisions by €111.3 million, which has been charged to the consolidated income statement as an exceptional item.

Tails provisions utilised during 2019 were €42.5 million (2018: €34.5 million) and a provision release of €88.8 million (2018: €29.2 million) was recorded as a credit in net costs of nuclear provisions as a result of the impact of the reduction in higher assay tails associated with enrichment services contracts and the optimisation of operations.

## Plant and machinery decommissioning

Urenco has an obligation under its operating licences to decommission enrichment facilities safely once they reach the end of their operational life. The costs associated with plant and machinery decommissioning are monitored on an ongoing basis and are also subject to a detailed, periodic review; the last such review was carried out in 2018.

During the year ended 31 December 2019 the decommissioning provision increased by €83.6 million (2018 increase: €125.8 million) due to revised assumptions relating to the decommissioning of plant and machinery of €66.3 million (2018: €123.0 million), the installation of additional plant and machinery of €13.6 million (2018: €0.3 million) and additional cylinder purchases of €3.7 million (2018: €2.5 million). The €66.3 million resulting from revised assumptions mainly relates to the impact of changes to discount rates of €64.9 million, of which €31.7 million has been expensed to the income statement as an exceptional item and €33.2 million has been recognised in decommissioning assets.

Decommissioning provisions utilised during 2019 were €8.9 million (2018: €8.9 million) and a provision release of €9.7 million (2018: €8.8 million) was recorded as a credit in net costs of nuclear provisions.

Further information on nuclear provisions can be found in note 30 of the Group's Consolidated Financial Statements.

#### **Group pension funds**

Urenco operates pension schemes for our employees in the Netherlands, UK and Germany. These are a mixture of defined contribution and defined benefit schemes.

In March 2019 the funds from the Dutch defined benefit pension scheme were transferred to Pensioenfonds Grafische Bedrijven ("PGB"), a collective third-party pension scheme, and from 1 April 2019 all historic and future pension liabilities are built up in PGB. The pension plan of PGB has all the features of a defined contribution scheme and UNL's pension obligation for each period will be determined by the amounts to be contributed to PGB for that period. As a result of the closure of the defined benefit pension scheme a loss of €6.9m was recognised in the income statement, comprised of a curtailment gain of €14.9m offset by a settlement loss of €21.8m. The net loss is presented as pension costs within employee costs. In addition, a gain of €6.9m was recognised in retained earnings, representing the recognition of the surplus net pension assets that had not been recognised at the date of closure. This gain is presented within other comprehensive income.

The net liability for the Group's defined benefit pension schemes at 31 December 2019 was €65.2 million (2018: €46.0 million). This increase was due to a €190.7 million decrease in the present value of the defined benefit obligations together with a decrease in the fair value of the plan assets of €209.9 million. Excluding the impacts of the Dutch pension curtailment from 1 April 2019 described above, the present value of the defined benefit obligations would have increased by €74.2 million due primarily to a reduction in discount rates and the fair value of the plan assets would have increased by €61.9 million.

In 2018, following the triennial valuation of the UK scheme, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.6 million annually until 2022. The trustees intend to manage the pension scheme so that the economic and investment risks will be reduced through the adoption of a more cautious investment policy and the use of interest and inflation derivative contracts.

Operating cash flow before movements in working capital was €1,288.3 million (2018: €1,293.8 million) and cash generated from operating activities was €1,094.3 million (2018: €1,401.0 million). The lower cash flows from operating activities primarily result from lower revenues and adverse movements in working capital compared to 2018.

Tax paid in the period was €141.5 million (2018: €119.3 million) due to the timing and phasing of cash payments which can often span

Net cash flows from operating activities were €952.8 million (2018: €1,281.7 million). Net cash flows from operating activities are used to finance investing activities, service the Group's debt, fund dividends to shareholders and, in the future, to fund the long term decommissioning and tails liabilities currently reported in provisions in the Group's Consolidated Statement of Financial Position.

#### Capital expenditure<sup>1</sup>

In 2019 Group capital expenditure was €151.4 million (2018: €183.1 million), reflecting a lower level of expenditure on both core enrichment assets and the TMF. Expenditure on core enrichment assets is now broadly at a level forecast as part of our strategy and appropriate to maintain the existing fleet of enrichment assets for the near to mid-term.

Investment in TMF in 2019 was €43.0 million (2018: €76.0 million, 2017: €184.4 million) reflecting construction being completed in late 2018 and active commissioning is ongoing. Management's current forecast of the costs to complete TMF remain in line with those as at the end of 2018 and the associated cost estimates are included in the tails deconversion rate referred to above in the commentary on EBITDA and tails deconversion, storage and eventual disposal.

## 2019 Capital expenditure



### Capital structure

The Group's equity decreased to €1,885.8 million during the year (2018: €2,119.8 million) due to a decrease in retained earnings of €310.0 million (reflecting the net income of €7.6 million and losses of €17.6 million in other comprehensive income for the year, together with €300.0 million of dividends paid), an increase in the foreign currency translation reserve of €95.8 million, primarily due to foreign exchange gains on property, plant and equipment held in US dollars as a result of the strengthening of the US dollar against the euro, and a decrease in the hedging reserve (including cost of hedging reserve) of €19.8 million. The movement in the hedging reserve is primarily associated with mark to market losses on cash flow hedges, which protect the Group's future revenues in foreign

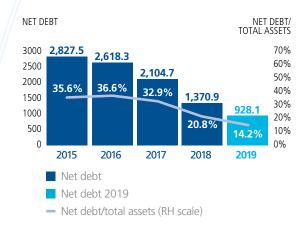
Net debt<sup>2</sup> decreased to €928.1 million (2018: €1,370.9 million) including lease liabilities of €22.0m (2018: €nil).

In 2019, the Group repurchased and cancelled €215.6 million of the February 2021 Eurobonds for a price of €225.5 million (104.6%). The transaction was completed in January 2019 for a total amount of €230.5 million, which included €5.0 million of accrued interest on these Eurobonds. As at 31 December 2019, a nominal amount of €534.4 million remained outstanding on the February 2021 Eurobonds.

Net debt to total asset ratio remained strong at 14.2% (2018: 20.8%), well within the Group's target ratio of less than 60%.

Capital expenditure includes net cash flows from investing activities (excluding interest received) of €145.3 million and capital accruals (included in working capital payables) of €6.1 million Net debt is defined in the Glossary on page 158 and the calculation of net debt is set out on page 126.

#### Net debt and Net debt/total assets



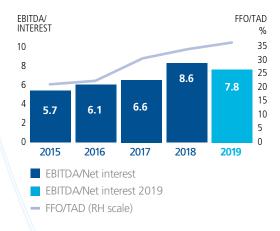
In 2019 the Group monitored its capital structure through the use of financial ratios, principally those of net debt to total assets and funds from operations to total adjusted debt (FFO/TAD). The Group targets an FFO/TAD ratio that results in a strong investment grade credit rating.

The FFO/TAD ratio at the end of 2019 was 38.2% compared to 34.3% at the end of 2018, due to an increase in FFO and a decrease in TAD. Further information on FFO/TAD can be found on page 122.

FFO was higher by  $\leqslant$ 38.3 million due to slightly higher EBITDA and lower current tax expenses. TAD was lower by  $\leqslant$ 171.4 million, primarily reflecting a decrease in net debt of  $\leqslant$ 442.8 million but partially offset by an increase in tails and decommissioning provisions of  $\leqslant$ 369.8 million, The increase in nuclear provisions reflects the increase in provisions arising during the year as well as the impact of the reduction of discount rates for both tails and decommissioning. Details of the FFO/TAD calculation are set out in note 28 of the Group's Consolidated Financial Statements.

The Group's interest cover also remains strong at 7.8x (2018: 8.6x).

## **Five-year summary funding ratios**



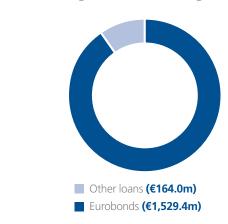
## **Funding position**

Liquidity continues to remain strong as a result of cash flow generation. As at 31 December 2019, the Group had  $\$ 750 million of committed undrawn revolving credit facilities which expire in June 2023, as well as cash, cash equivalents and short-term deposits of  $\$ 787.3 million (2018:  $\$ 531.2 million).

Our funding position remains robust and continues to be underpinned by our established contract order book, which gives high levels of revenue visibility and robust EBITDA margins, resulting in strong cash flow generation.

The Group's debt is rated by Moody's (Baa1/Stable) and Standard & Poor's (BBB+/Stable); these external ratings were unchanged during 2019.

## Interest bearing loans and borrowings



## Property, plant & equipment vs net debt



## **Funding programme**

The Group's funding strategy is to:

- Maintain a core of longer-dated debt and committed borrowing facilities, consistent with the long-term nature of the Group's investments and the need to maintain an optimised long-term capital structure;
- Use a range of financial instruments and financial markets in order to execute attractive funding opportunities as they emerge; and
- Manage debt maturities by raising funds in advance of ultimate repayment dates of debt instruments.

The average time to maturity of the Group's debt at 31 December 2019 was 4.3 years (at 31 December 2018: 4.9 years).

#### Managing foreign currency risk

Our foreign currency hedging policy has the objectives of reducing volatilities in net cash flow and income, and to protect the income statement from balance sheet re-measurements of debt. However, a long-term reduction in income exposure is much more difficult to achieve due to the strict requirements with respect to hedge accounting under IFRS. The functional currency of Urenco Limited is sterling, although the company reports its results in euros.

The Group receives most of its customer revenues in US dollars and euros. The net cash flows of Urenco's European business have been hedged by selling US dollar customer revenue and buying forward the sterling required to meet the costs of the UK operations, and selling the remaining US dollars to buy euros. The net cash flows of Urenco's USA business have been used to pay US dollar denominated costs.

The Group hedges the impact of changes in foreign exchange rates by using a progressive rolling programme of buying and selling currency over a period of up to three years ahead of the current year. This medium-term hedging period strikes a balance between the objective of maximising cash flow certainty (which suggests a long hedging period) and the objective of maintaining a hedge portfolio that largely qualifies for hedge accounting under IFRS. Urenco has a stable future revenue stream that is managed using a portfolio of hedges. There is always an element of uncertainty due to changes in quantities and timing of deliveries based on market movements and customers' requirements, which makes it difficult to achieve effective hedge accounting over the longer term.

The Group has a total of €939 million (2018: €1,034 million) cross currency swaps, mainly to convert the economic exposure of part of the Group's debt from euros to US dollars that are then net investment hedged for Group accounting purposes. This better aligns the currency of the debt with the asset base and cash flows of the Group.

## **Urenco Group Financial Policy Statement**

The Financial Policy Statement defines the broad parameters for financing the Urenco Group and has the agreement and support of all of our shareholders.

The Group will finance itself through a combination of equity, including retained reserves and debt. Due consideration is given to the Group's long-term unfunded nuclear liabilities when considering financing options. Urenco Limited cannot issue new equity without the agreement of all of its shareholders.

In order to achieve an efficient financial profile, the gearing level and financial ratios will be maintained to retain a solid investment grade credit rating for the Group.

At all times, the Group will maintain sufficient liquidity to ensure that it is a going concern and will manage the composition of its debt to minimise risks from market deterioration in liquidity, interest rates or currencies. Detailed treasury management policies set parameters for the management of these risks.

#### **Dividend policy**

The Group will aim to pay a dividend out of its annual earnings. The dividend shall be set to take account of net income, cash flows, reserves and the level of credit ratios. Until financial ratios comfortably exceed the minimum threshold for BBB+ at S&P and Baa1 at Moody's, the annual dividend will not exceed 100% of the net income for the year. A lower dividend may be set when credit ratios, cash flow or funding conditions dictate that this is necessary and, equally, a higher dividend may be declared when the minimum thresholds of the key financial ratios are comfortably exceeded.

In 2019, €300.0 million in dividends for the year ended 31 December 2018 were paid to shareholders (2018: €300.0 million).

The Board has approved that dividends of €300.0 million be paid on 18 March 2020. The level of the final dividend for 2019 is less than the net income (pre-exceptional items) but exceeds the level of net income (post-exceptional items). Consideration has been given to all of the following (i) the fact the net income (post-exceptional items) has been generated by adverse non-cash charges during the year; and (ii) the Group's favourable net debt position and credit ratios; and (iii) the availability of sufficient distributable reserves.

As at 31 December 2019, the Company had distributable reserves available of €1,059.3 million (31 December 2018: €956.3 million).

#### **Order book**

Urenco has a strong contract order book which extends into the 2030s with an approximate value at 31 December 2019 of  $\le$ 10.6 billion based on  $\le$ /\$ of 1:1.12 (2018: $\le$ 11.9 billion based on  $\le$ /\$ of 1:1.15).

#### Outlook

Uranium enrichment is the heart of our business, complemented by services which benefit our customers and utilise our technology and core expertise. We continue to explore growing markets: in enrichment services through our new representative office in China; in Stable Isotopes through our extended facility in the Netherlands; and in nuclear stewardship through our two UK subsidiaries dedicated to this area, Urenco Nuclear Stewardship Limited and Urenco ChemPlants Limited.

The principal risks and uncertainties to which Urenco is exposed remain broadly in line with those disclosed in 2018. Our contract order book leaves us well-placed to meet challenges from the enrichment market. We have accepted new business at levels which give us optimism that customers understand the importance of having a market that can promote reinvestment. Enriched uranium inventories have led to excess capacity in the market, and we forecast they will further decrease in the

Policy decisions in some European countries and North America support the nuclear industry, with investment in current reactors and delays to phase-outs of capacity. Investment in new nuclear is most pronounced in Asia, where the industry is growing rapidly. Our broad offering, and the large geographic reach of our four facilities, enables us to meet this demand and make a strong contribution to the need for sustainable energy globally to meet climate change goals.

We are also continuously monitoring and mitigating geopolitical challenges. Our sites are prepared for the UK's full withdrawal from the European Union and Euratom. We are confident we will continue to meet our global customer commitments and remain a long-term supportive partner to the nuclear industry.

## **EXECUTIVE COMMITTEE**

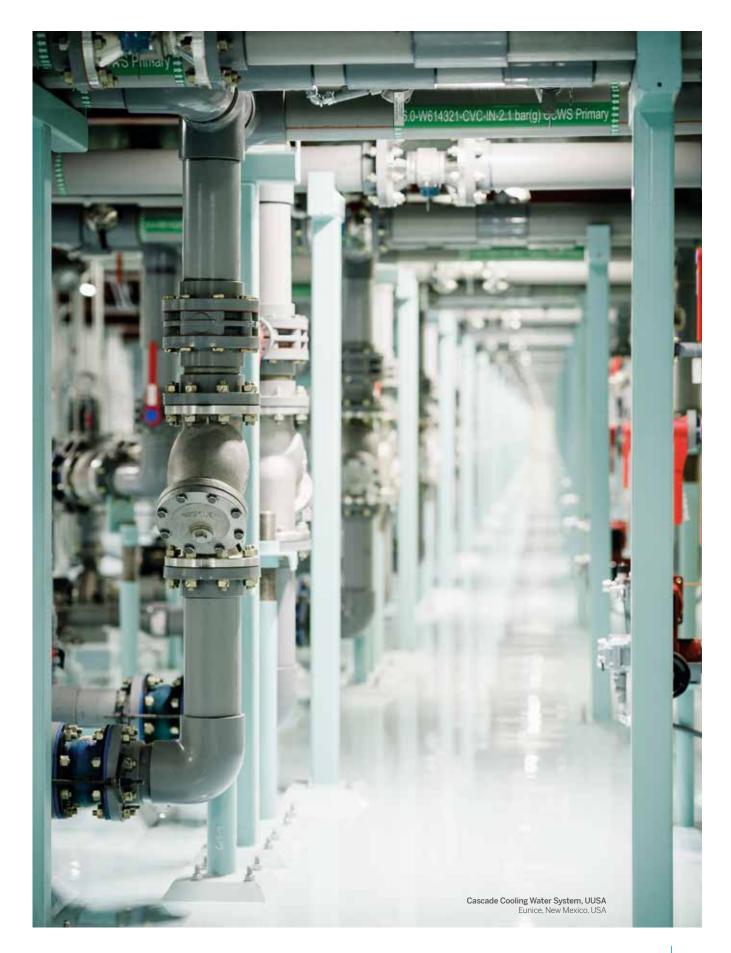
The Executive Committee is responsible for the strategic decision making across the organisation. This includes annual budgets, business plans, performance objectives and risk and issue mitigation. It also oversees the Group and site operational activities – with a key focus on safety and security – and policies relating to employees and ethics to ensure the correct balance of skills and attributes across the organisation.

## The members of the Executive Committee are:

Boris Schucht	Chief Executive Officer	
Ralf ter Haar	Ralf ter Haar Chief Financial Officer	
Chris Chater	Chief Operating Officer	
Laurent Odeh	Chief Commercial Officer	

## **COMPANY STRUCTURE**





## **BOARD OF DIRECTORS**

Matters reserved for the Board's decision include the approval of the strategic business plan; budget and financial statements; major capital projects, acquisitions and disposals; significant regulatory issues and important policies around environmental, health and safety issues. During 2019, the Board met six times.



**Stephen Billingham** Chairman of the Board

Stephen joined the Urenco Board in September 2009 and was appointed Chairman in January 2016.

He is Chairman of Anglican Water Group and Senior Independent Director and Chairman of the Audit Committee at Ralfour Beatty plc

Stephen's previous roles include Chief Financial Officer of British Energy Group plc, Chief Financial Officer of WS Atkins plc, Executive Chairman of Punch Taverns plc, and Chairman of the Royal Berkshire NHS Foundation Trust. He has an honorary DSc from Aston University and in 2019, he was awarded a CBE in the Queen's Birthday Honours list



**Boris Schucht** 

Chief Executive Officer (from May 2019)

Boris was appointed Chief Executive Officer of Urenco Limited and joined the Urenco Board in May 2019. He joined from 50Hertz, the North-East German Transmission System Operator, where he held the position of Chief Executive Officer from 2010 until 2019.

Boris previously held a number of senior executive positions within the energy sector across Europe, including WEMAG AG and the Vattenfall Group. He holds an MA in Mechanical Engineering from the University of Aachen.



Ralf ter Haar

Chief Financial Officer

Ralf was appointed Chief Financial Officer of Urenco Limited in June 2014 and joined the Urenco Board in November 2014.

He joined Urenco from NXP Semiconductors N.V., where he was Senior Vice President and Corporate Controller. Prior to this, Ralf served as Alcatel-Lucent's Chief Financial Officer for the Asia Pacific Region, based in Shanghai, and its Global Head of Trade and Project Finance, based in Paris.

He started his career in banking, with ABN AMRO. He holds an MSc in Economics and an LLM in Business Law from the Erasmus University in Rotterdam.



**Frank Weigand** 

Non-Executive Director and Chair of the Audit Committee

Frank joined the Urenco Board in November 2014.

After completing a PhD in Physics at the Max Planck Institute for Polymer Research, Germany, he joined McKinsey & Company Inc in 1996.

In 2001, he became Director of Strategy and Quality Management at RWE Systems in Dortmund, Germany. In 2005, he was appointed Director of Corporate Planning and Controlling at RWE Power AG before becoming Vice President Controlling Group of RWE AG. From 2010 to 2012, he became Chief Financial Officer of RWE npower plc in Swindon, UK. From 2013 to 2017, Frank was Chief Financial Officer of RWE Power AG and RWE Generation SE. Since January 2018, he has served as Chief Executive Officer and Chief Financial Officer of RWE Power AG.



Mel Kroon

Non-Executive Director and Chair of the Remuneration and Appointments Committee

Mel joined the Urenco Board in September 2018.

Mel has served as Chief Executive Officer at TenneT Holding B.V. Managing Director at Hooge Huys Verzekeringen N.V. and Deputy Chair of the Executive Board of SNS Reaal Insurance.

He currently serves as a Non-Executive Director at Ultra-Centrifuge Nederland N.V., Member of the Board Dutch-German Chamber of Commerce, Member of the Supervisory Board Koole Oil Terminals B.V., Chairman of the Supervisory Board TKH Group N.V., Chairman of the Supervisory Board Energyworx B.V., Member of the Supervisory Board Luchtverkeersleiding Nederland, Member of the Supervisory Board KVSA B.V., Member of the Advisory Board GroenLeven B.V., Chairman of the Advisory Board Rijkswaterstaat, Advisor to Drakestar/Improved B.V. and Advisor to Mitsubishi Corporation.



#### **Miriam Maes**

#### Non-Executive Director and Chair of the Sustainability Committee

Miriam joined the Urenco Board in October 2015.

After managing businesses for Unilever, ICI and the Marmon Group, in 2002 she became a European Executive of Texas Utilities and then Chief Operating Officer of non-regulated distribution networks for Électricité de France (EDF) in the UK. This was followed by roles as Advisor to the UK Department for Energy and Climate Change, Chief Executive Officer of energy and climate change strategy consultancy Foresee, and Chair of the Energy Transition Forum for the German Marshall Fund of the United States

Miriam served as Chairman of the Board of the ELIA Group and Non-Executive Director on the Board of Vilmorin & Cie. She is currently Chairman of the Supervisory Board of the Port of Rotterdam, Non-Executive Director on the Boards of Eramet, Assystem, and Ultra-Centrifuge Nederland N.V., and member of the Advisory Committee of the Total-Tikehau Investment Fund



#### Alan Bevan

#### Non-Executive Director

Alan joined the Urenco Board in February 2015.

He is Senior Vice President and Global Head of Mergers & Acquisitions at E.ON SE, an international energy supplier based in Essen, Germany. Alan is also responsible for managing E.ON's shareholdings in Urenco, Nordstream 1 and Enerjisa Üretim and Enerjisa Enerji in Turkey. Alan has 30 years' experience in the energy and utilities sector and began his current role in 2010, prior to which he was responsible for Strategy and M&A at E.ON's UK subsidiary.



**Justin Manson** 

#### Non-Executive Director

Justin joined the Urenco Board in January 2016.

He is Interim Chief Executive of UK Government Investments (UKGI), a company wholly-owned by HM Treasury. He joined UKGI in May 2015 as a Director. He was a Non-Executive Director and member of the Risk and Nomination Committees of UK Export Finance from 2015-2019. Justin was a Managing Director and Senior Adviser at Morgan Stanley from 1996 to 2013, based in New York and London.



## **Richard Nourse**

#### Non-Executive Director

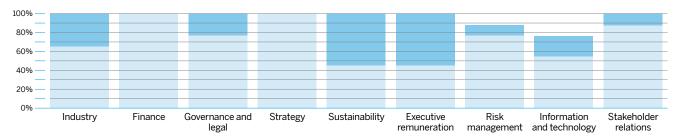
Richard joined the Urenco Board in January 2009.

He is Managing Partner of Greencoat Capital LLP, the renewable energy and resource efficiency fund manager. Richard is also a Director of Enrichment Holdings Limited, the company through which the British government holds its shareholding in Urenco, having previously been a Director at the Shareholder Executive, part of the British government. Until 2007, he held senior positions at Merrill Lynch, including Head of the EMEA Energy and Power Team. Richard started his career more than 30 years ago with Morgan Grenfell.



Board members with significant experience (10+ years, managerial accountability, in-depth)

Board members with experience (5-10 years, regular exposure)



The Strategic Report was approved by the Board of Directors on 11 March 2020 and signed on behalf of the Board by:

Stephen Billingham

ella Billing

## Registered number 01022786

Registered office Urenco Limited Urenco Court Sefton Park Bells Hill Stoke Poges Buckinghamshire SL2 4JS

Auditors Deloitte LLP 2 New Street

# Governance CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## Governance

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## CORPORATE GOVERNANCE

## Ensuring good governance at Urenco

Our policy on corporate governance is to follow principles of strong governance, transparent reporting and Urenco's core values. We practise a system of full transparency where management reports regularly and comprehensively to the Board and provides extensive background information for all matters requiring Board approval. All Board decisions are clearly minuted and recorded. The Board, together with external advisers as appropriate, consider in further detail issues of particular complexity through regular meetings of the Audit Committee, Sustainability Committee, Remuneration and Appointments Committee and, where required, special working groups. Our commitment to strong corporate governance ensures the Group has clear strategic direction and enables us to assess, control and manage risk effectively.

The 2018 UK Corporate Governance Code (the 'Code') sets out principles and provisions of good corporate governance and Code provisions which are applicable to all companies with a Premium Listing of equity shares in the UK. Urenco is not a listed company and is not required to adhere to the Code or to any alternative corporate governance arrangements; however, we recognise the value of applying the principles of the Code where appropriate.

## Board and its Committees

## **Board composition**

The Board consists of the Chairman, six Non-Executive Directors and two Executive Directors. Two Non-Executive Directors are appointed by each of Urenco's three shareholders. An additional Non-Executive Director is elected onto the Board by unanimous resolution of the shareholders and elected as Chairman by the Board. The two Executive Directors are elected into position by the Board.

The Directors of the Company in office during the 2019 financial vear were:

#### **Non-Executive Directors**

• Stephen Billingham Chairman

 Frank Weigand Deputy Chairman and

Chair of the Audit Committee

Deputy Chairman (from 14 March Mel Kroon

2019) and Chair of the Remuneration

and Appointments Committee

Chair of the Sustainability Miriam Maes

Committee

Alan Bevan

Justin Manson

Richard Nourse

#### **Executive Directors**

• Boris Schucht Chief Executive Officer

(from 1 May 2019)

 Ralf ter Haar Chief Financial Officer Thomas Haeberle Chief Executive Officer

(to 31 March 2019)

• Stephen Billingham **Executive Chair** 

(from 1 April 2019 to 30 April 2019)

The Directors of the Company in office as at the date of the Annual Report are shown on pages 40 and 41 and their biographies can be found on the Urenco website at www.urenco.com

## Corporate Governance continued

#### Role and operation of the Board

The Board manages overall control of the Group's affairs and is responsible to the shareholders for key policies and strategic direction. The Board meets regularly to consider matters specifically reserved for its decision. These include the approval of the strategic business plan, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies on environmental, health and safety issues, and senior management appointments.

The Board and its Committees are provided with full and timely information well in advance of meetings. The agenda is set by the Chairman in consultation with the Executive Directors and Company Secretary. Formal minutes recording discussions and decisions of all Board and Committee meetings are prepared and circulated to the respective Board and Committee members.

The Board recognises the need for a reasonable balance between Executive and Non-Executive Directors in providing judgement and advice on decision-making. In addition to fulfilling their legal responsibilities as Directors, Non-Executive Directors are valued by the Company for the judgement and experience they provide to the Board, including at Board and Committee meetings.

## Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this Section 172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

In discharging our Section 172 duties we have regard to the matters set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our pensioners and our relationship with governments, regulators and non-governmental organisations. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. At every meeting, the Board receives reports on matters including safety and security performance, financial and operational performance, sales and marketing, new business developments and business conducted at recent Committee meetings. Over the course of the financial year, the Board also reviews other matters including the Company's business strategy, key risks, stakeholder-related matters and governance, compliance and legal matters.

The Company's key stakeholders are set out in the table on page 23 and include its workforce, customers, suppliers, the local communities in which it operates and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Urenco Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see page 23 (Key stakeholder engagements in 2019).

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of formats including in reports and presentations on our financial and operational performance, non-financial key performance indicators, risk, corporate responsibility matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our Section 172 duty to promote success of the Company.

For further details on how our Board operates and the way in which we reach decisions, see 'Role and operation of the Board' above. For information regarding the matters we discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which we have had regard to the need to foster the Company's business relationship with customers, suppliers and other stakeholders, please see below and page 23 (Stakeholder engagement), 48-53 (Audit Committee Report), 54 (Sustainability Committee Report), 55-61 (Remuneration Report), 12 (Our Organisational Culture), 19-21 (Sustainability), 25 (ethical conduct) and 62-63 (Directors' Report).

## **Corporate Governance** continued

We set out below some examples of how the directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 when discharging their Section 172 duty and the effect of that on certain decisions taken by them.

**Dividend**: Each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. In 2019, we recommended a final ordinary dividend totalling €300 million. In making our decision we considered a range of factors. These included the long-term viability of the Company, its expected cash flow and financing requirements, the ongoing need for strategic investment in our business and our workforce and the expectations of our shareholders as the supplier of long-term equity capital to the Company. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

**Stable Isotopes**: In 2019 the Board considered and approved a new contracting approach for the Group's Stable Isotopes business which involved the acquisition of direct access to customers through the termination of a long-term distribution arrangement. In making its decision to proceed with this, the Board concluded that it supported the Group's strategy to expand the Stable Isotopes business and was the approach which was most likely to deliver the best results both for the Group and its stakeholders. In particular the directors considered the long-term benefits to the Stable Isotopes business, including how greater direct access to customers would enable the Group to pursue further expansion opportunities and strengthen the Group's reputation and ability to serve more broadly the nuclear industry, following increased investment in the capacity of our Stable Isotopes facility in the Netherlands.

Annual strategic risk review: On an annual basis the Board carries out a review of the Company's key strategic risk and uncertainties. In performing this review the Board seeks the opinions of, and takes into consideration, the inputs of a broad range of Urenco stakeholders. This included the consideration of the outputs of individual strategic risk assessments, performed at each of our enrichment facilities, and based on the collective view of our site management teams; insight and views of the Urenco Executive Committee regarding its oversight of site specific, functional and corporate strategic risks; and outputs of one-to-one meetings, held between the Group Head of Risk and Internal Audit and individual Board members and senior management. As part of this review the Board, and its Committees, also considered specific advice and insight, regarding key issues, risks and uncertainties received from subject matter experts over the course of the year.

In 2019 this included regular updates on emerging trends, threats and issues within cyber security, the potential impacts of increased trade protectionism, the likelihood and impacts of potential sanctions, embargoes and restrictions, the implications of climate change and other extreme weather events, the challenges faced by major change programmes and infrastructural projects and changes to governance and regulatory requirements. The Board also sought specific details from key business partners and stakeholders regarding the details of key mitigations and controls implemented in order to adequately mitigate and manage risks and uncertainties.

#### **Board meetings**

Urenco's Board meets regularly throughout the year in order to effectively discharge its duties. During 2019, the Board met six times. Each year, the Board holds one of its meetings at an enrichment facility. In 2019, that meeting was held at Urenco Deutschland.

#### **Board meetings attendance**

	Number of meetings in 2019	Meetings attended
Alan Bevan	6	6
Stephen Billingham	6	6
Mel Kroon	6	6
Miriam Maes	6	6
Justin Manson	6	6
Richard Nourse	6	6
Boris Schucht	5	<b>5</b> ¹
Ralf ter Haar	6	6
Frank Weigand	6	6
Thomas Haeberle	1	<b>1</b> <sup>2</sup>

#### **Board Committees**

The Board has three Committees: the Audit Committee, the Sustainability Committee and the Remuneration and Appointments Committee. More detail of the work of these Committees is contained later in this report. Each Committee reports formally to the Board after each meeting.

### Accountability and audit

The Board has overall responsibility for internal controls, including risk management, and approves appropriate policies regarding Group objectives. The Executive Directors are responsible for identifying, evaluating and managing both financial and non-financial risk and implementing and maintaining control systems in accordance with Board policies.

The Group's core targets and objectives are set out in the business plan and budget, which are approved annually by the Board. Management reports for the Group are prepared on a monthly basis and distributed to the Board periodically. The plans and reports cover both revenue and expenditure (including capital) and financing.

On an annual basis the Board reviews the Group's Strategic Risk Report. The types of risks identified in the 2019 review included strategic, material operational and compliance risks and are detailed on pages 28 to 31.

The Board is also responsible for the Group's system of internal controls and for reviewing its effectiveness. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In practice, the Board delegates to the Audit Committee responsibility for reviewing and examining the effectiveness of the Company's internal controls and risk management systems.

Boris Schucht was appointed as of 1 May 2019 Thomas Haeberle retired as of 31 March 2019.

## **Corporate Governance** continued

## Additional background information

## **Shareholding structure**

Urenco's shares are ultimately held one-third by the UK government (through Enrichment Investments Limited), one-third by the Dutch government (through Ultra-Centrifuge Nederland Limited), and one-third by two German utilities (through a holding company, Uranit UK Limited; shares in its German holding company are indirectly held 50% by E.ON S.E. and 50% by RWE AG).

The role of the shareholders and the Board is defined in Urenco's shareholder agreements and constitutional documents. The role of the governments who supervise Urenco from the non-proliferation perspective is set out in the Treaty of Almelo.

#### History and wider governance issues

Urenco was founded in 1970 following the signing of the Treaty of Almelo by the governments of Germany, the Netherlands and the UK. It was incorporated as an English private limited liability company on 31 August 1971. The Treaty of Almelo establishes the fundamental principles for supervising effectively Urenco's technology and enrichment operations with respect to non-proliferation. A Joint Committee of representatives of the governments of the signatory countries exercises this supervisory role but has no role in Urenco's day-to-day operations. The Joint Committee considers all questions concerning the safeguards system (as established by IAEA and Euratom), classification arrangements and security procedures, exports of the technology and EUP and other non-proliferation issues. The Joint Committee also considers issues connected with any potential changes in Urenco's ownership and transfers of technology. Urenco's Executive management periodically meets with the Joint Committee

Before the construction of Urenco's enrichment facility in the USA and in order to permit the transfer into the USA of classified information regarding Urenco's proposed new facility, the US government entered into a new intergovernmental treaty (the Treaty of Washington) with the governments of Germany, the Netherlands and the UK to ensure that the same conditions that had been agreed in the Treaty of Almelo would also apply in the USA. The Treaty of Washington was signed on 24 July 1992.

In order to permit the completion (in 2006) of the joint venture with Orano regarding the Group's technology business ETC, France needed to adhere to the principles of the Treaty of Almelo. A new treaty (the Treaty of Cardiff) was signed on 12 July 2005 by the governments of Germany, the Netherlands, the UK and France. European Commission competition clearance was also required to complete the transaction. This was granted on 1 July 2006. The terms of the clearance require certain commitments from Urenco and Orano to ensure that they remain competitors in the field of enrichment and that no commercially sensitive information about their enrichment operations passes between Urenco and Orano by virtue of their being joint shareholders of ETC.

## **AUDIT COMMITTEE REPORT**

## Chair's statement

## Frank Weigand

Chair, Audit Committee

I am pleased to present the report of the Audit Committee for 2019.

The Audit Committee (the 'Committee') is a committee of the Board of Directors of Urenco Limited. Its role is to monitor, on behalf of the Board, the Group's financial reporting, the integrity of its financial statements and its systems of internal control (financial, operational, compliance and risk management). The Committee provides updates and, where appropriate, recommendations to the Board on these

During 2019, the Committee has continued to play an important role in ensuring high quality financial reporting and providing assurance to the Board on the effectiveness of the internal control environment. Together with my fellow Committee members, we have responded to developments during the year as required, focusing on key matters which arise in addition to our planned work programme. Looking ahead, we intend to continue focusing on the audit, assurance and risk processes within the business as it continues to evolve.

## Summary of the role and responsibilities of the Committee

In accordance with its Terms of Reference, the Committee's key responsibilities include, but are not limited to:

- Monitoring the integrity of the annual and half year financial statements and the appropriateness of accounting policies;
- Approving, with the Board's authority, the half year financial statements;
- Making recommendations to the Board concerning adoption of the Annual Report and Accounts and advising the Board as to whether they are fair, balanced and understandable;
- Reviewing regular reports from management regarding new and emerging risks and uncertainties of the Group (see details of these on pages 28 to 31);
- Reviewing the significant financial reporting topics, new accounting standards impact and challenging significant accounting judgements and estimates contained in the financial statements:
- Reviewing and monitoring the systems of internal and financial control and risk management;

- Overseeing the Group's relationship with the external auditors, including monitoring and reviewing the external auditor's independence, objectivity and effectiveness, approving the external audit fees and recommending the appointment of auditors to the Board for approval each year;
- Monitoring and reviewing the effectiveness of the internal audit function and reviewing the internal audit plan, internal audit reports and management's responses to findings and recommendations; and
- Reviewing any material investigations instigated in response to allegations of suspected or actual fraud, impropriety or any behaviours that are contrary to Urenco's Code of Conduct and values, as committed by Urenco employees, any associated persons or any third parties operating on behalf of Urenco.

A copy of the Committee's Terms of Reference is available on Urenco's website at www urenco com

An annual review of the Terms of Reference was conducted at the Committee meeting in March 2020 [and the Terms of Reference were updated following Board approval later in the month].

## Composition of the Audit Committee

The Committee comprises three members:

- Frank Weigand (Non-Executive Director and Committee Chair)
- Miriam Maes (Non-Executive Director)
- Justin Manson (Non-Executive Director)

Biographies for Committee members can be found on Urenco's website at www.urenco.com

Given that all of the Committee members are appointees of Urenco Limited's shareholders, they are not considered independent under guidance contained in the UK Corporate Governance Code.<sup>1</sup>

## Meetings

The Committee is required, under its Terms of Reference, to meet at least three times a year. During 2019 the Committee met five times.<sup>2</sup> The membership and attendance record of the Committee members during the year is set out below.

	Number of meetings in 2019	Meetings attended
Frank Weigand	5	5
Miriam Maes	5	5
Justin Manson	5	5

As a non-listed company, Urenco is not subject to the Code but recognises the value of applying the principles of following it where appropriate to do so. 27 February, 27 June, 7 August, 8 October and 10 December.

## **Audit Committee Report** continued

## Corporate governance

Following due and careful consideration, the Board is satisfied that the membership of the Committee meets the requirement for recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

The Committee has a standing agenda, aligned to events in the Group's financial and reporting calendar, for consideration at each meeting. This work programme, which is formally reviewed by the Committee on an annual basis, is also regularly monitored to ensure that it encompasses all issues required to be considered by the Committee during the year.

At the invitation of the Committee, the Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, Group Head of Risk and Internal Audit and the Group's external auditors (Deloitte LLP) also attend the Committee's meetings. Representatives from other functions also attend as and when appropriate. The Company Secretary or their nominee is secretary to the Committee.

Private meetings were held at each Committee meeting with the Group Head of Risk and Internal Audit and the external auditors, at which executive management were not present. In addition, the Chair of the Committee held meetings with the audit engagement partner during the year.

During 2019, the Committee attended training sessions provided by the external auditor. The key topics covered related to: developments in reporting on climate change matters; the implementation of IFRS 15 (Revenue from Contracts with Customers); and reporting on Directors' statutory duties.

The Committee Chair and the Interim Company Secretary conducted an internal effectiveness review of the Committee's performance in January 2020, based on a framework provided by an external audit firm, and reported the results in the March 2020 Committee meeting. There were no significant findings arising from the review although some areas for future consideration were identified, including re-examining Group policies and procedures relating to whistleblowing during 2020.

Given their status as nominees of shareholders, members of the Committee are not submitted for re-election at the Company's Annual General Meeting. In the context of Urenco's shareholding structure, the Committee was comfortable with these points and the overall conclusion of the internal review was that the Committee continued to be effective.

Detailed below is the key work undertaken by the Committee during the year under review and up to the date of this Annual Report.

## Activities of the Audit Committee during the year

#### Internal controls and risk

During 2019 the Committee received and considered regular reports from the Group's Internal Audit, Finance, Tax, Treasury and Risk functions and the Group's external auditor, in order to assess the quality and effectiveness of the system of internal controls.

These included reviews and monitoring of:

- The 2018 Annual Report and the 2019 half year results;
- Reports from management detailing the principal risks and uncertainties of the Group, and the related key accounting judgements and estimates, considerations and conclusions;
- Work completed by the Internal Audit function, in reviewing and auditing the effectiveness and adequacy of the Group's internal control environment, including reviews of information technology, procurement, commercial risk management, project management and health and safety management systems and processes;
- The annual report on compliance with the Group's anti-bribery and corruption policies and procedures;
- Regular operational risk and commercial risk reports;
- The annual Group Tax update, review of the Group's tax policy and publication of the Group's tax strategy;
- Group Treasury activities and review of financing provisions in the Group's funding arrangements;
- The Group's insurance strategy and policy;
- The annual pensions and deficits review;
- Review of Urenco's alignment to the UK Corporate Governance Code<sup>3</sup>;
- External auditor reporting on the design and implementation of key financial controls; and
- The independence, objectivity and fees of the external auditors and scope of audit and non-audit services.

The Committee has reviewed the effectiveness of Urenco's risk management and internal control systems for the financial year and the period to the date of approval of the financial statements.

The Committee can confirm that no significant weaknesses were identified during the year with regards to the adequacy of the system of internal control.

<sup>&</sup>lt;sup>3</sup> As mentioned in more detail in the Corporate Governance statement, as a non-listed company, Urenco is not subject to the UK Corporate Governance Code but recognises the value of applying the principles of the Code where appropriate.

#### Significant issues related to the financial statements

The Committee discussed with management the critical accounting judgements and key sources of estimation and uncertainty outlined in note 2 of the Group's consolidated financial statements. In conducting these discussions, the Committee considered the work and recommendations of the Group finance functions, together with input and reports from the external auditor. The most significant matters that the Committee considered were the following:

## Carrying value of the US enrichment business Issue background

During 2016, the Group recognised a €760 million pre-tax impairment charge against its US cash generating unit asset carrying value. This was driven by the further deterioration in the long-term forecast market price for SWU, based on continued nuclear market uncertainty, the build-up of inventories across the supply chain and oversupply of enriched uranium.

There is continued inherent uncertainty, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated Urenco SWU market pricing forecasts could have further decreased, or alternatively could have improved since 2016. Any significant change would result in a new impairment indicator or reversal indicator for 2019, potentially leading to a further impairment charge or a reversal of the impairment charge recognised in 2016 respectively.

The nuclear industry is a very long term and relatively slow moving market with long lead times for new nuclear power plants being constructed and brought into operation. Therefore, factors that impact prices do not often change and their impact is usually experienced gradually, typically impacting post our 10 year strategic business plan period. Factors typically relate to matters such as the extensions of existing fleets (either through additional licence years or state support in the US for example) or new energy policy announcements countrywide. In contrast, a serious sudden closure announcement stemming from an incident such as Fukushima which would impact more immediately.

Urenco monitors the market continually and in recent years has not noted any one significant enough indicator to affect demand enough to materially impact price curves. However, during 2019 it became clear to management a number of events had resulted in additional market pressures on long term revenues and costs. These events included political and geopolitical uncertainties that could impact the US enrichment business. In addition, during 2019, the tails provisions for the US enrichment business were adversely impacted by an increase in the unit tails rates. Therefore, during 2019 the Group concluded that the cumulative impact of these events constituted an indicator of impairment for the US enrichment business. Accordingly, an impairment analysis was performed.

The key assumptions within the 2019 impairment analysis are the revenues forecast to be generated during the operational life of the business, which are a function of the forecasts for SWU capacity and market prices for uncontracted SWU. Management's forecast for SWU prices have been derived from internal market analysis and external modelling, with expectations for future nuclear demand being a key input into this calculation. Other key assumptions in the impairment analysis include ongoing capital expenditure requirements to maintain and operate the business; levels of associated operating expenditure and the costs of deconverting tails in the future; extension of the US operating licence beyond 2040, (which management expect to receive in the ordinary course of business); and the discount rate.

Committee response: Management identified an impairment indicator for its US operations cash generating unit and assessed the recoverable amount of assets based on value in use, calculated using a discounted cash flow model. In 2019 the Group recognised a €500.0 million pre-tax impairment charge against its US cash generating unit asset carrying value, which reduced the carrying value to €1,573.0 million.

The Committee has reviewed management's reports detailing the carrying value and recoverable amount as well as the critical and key judgements and estimates used and concluded that an impairment is required relating to the US operations. The key changes in assumptions, compared to the analysis performed at 31 December 2018, were a deterioration in the long-term forecast net cash flows and a reduction in the discount rate applied in the discounted cash flow modelling. The impact on net cash flows of the SWU price fluctuations primarily relates to the period post the second half of the 2020s as the majority of sales prior to that time are already contracted. Further details about the impairment and the assumptions used in determining the recoverable amount are given in note 6.

The external auditors appropriately reviewed and assessed management's view on the critical and key judgements and assumptions used in the USA impairment test, and provided their view orally and in their written reports provided to the Committee on 10 December 2019 and 3 March 2020.

The Committee reviewed and challenged management's judgements and estimates on this matter by way of oral and written report. The Committee has also taken into account the work of the external auditor on this matter. Ultimately, the Committee concluded that the judgements and estimates of management were appropriate.

## European enrichment business - tails provisioning Issue background

During 2015, management rebased the European enrichment sites' tails provisions to reflect the unit cost of deconverting tails at the Tails Management Facility (TMF) in the UK, which is currently being commissioned. The TMF capital cost and future operating costs are reviewed by management on an ongoing basis and at each reporting period date.

Significant management judgement is required in estimating the TMF deconversion cost assumptions, most notably the TMF total capital cost and future operating costs. Mechanical construction of TMF was completed in late 2018 with active commissioning ongoing. Until these activities are completed, the forecast TMF deconversion cost remains a key estimate within the European tails provision valuation.

Further descriptions of the nature of tails, deconversion and other items noted above are provided in note 30 of the Group's Consolidated Financial Statements.

## **Audit Committee Report** continued

**Committee response:** The Group reviews its overall tails provision strategy annually, using a steering group of senior technical and operational personnel. During 2019, European tails provisions were reviewed to ensure they continued to appropriately reflect the latest management estimates relating to: the TMF final capital cost referred to above; any changes in cost assumptions related to an optimisation of tails management operations across the Group; the impact of the reduction in higher assay tails associated with enrichment services contracts; and the discount and inflation rates applied in calculating provisions.

During the year the valuation of the tails provisions was increased by €111.3 million as a result of reductions to the discount rates applied by the European enrichment businesses. The impact of the change in discount rates was recognised as an exceptional item in the income statement.

The Committee reviewed and challenged the key assumptions and judgements employed in the review, as well as the resulting associated financial provisions estimated to be required and the presentation of the impact of the change in discount rates as an exceptional item.

The tails provision recognised at the period end and the TMF project status were appropriately reviewed by the external auditor, and the Committee received oral and written reporting on this work. This reporting included consideration of the external auditor's work in respect of cost estimates, timing estimates, and the application of appropriate discount and inflation rates. These matters were discussed with the external auditor, both to understand their work, and to facilitate the Committee's challenge to management in this area.

In order to ensure that the Committee is kept aware of the key risks and uncertainties relating to the successful delivery of the TMF, the Group Head of Risk and Internal Audit, supported by appropriate subject matter expertise, is responsible for ensuring that the project is subject to a regular and rigorous risk assessment process. The outputs from this process are reported directly to the CEO and CFO and updates, regarding the effectiveness of risk mitigation strategies implemented to manage critical risks and uncertainties, are presented to the Board and the Committee.

The Committee was satisfied that the provision recognised in respect of the European tails deconversion, storage and disposal is appropriate.

## Group provisioning for decommissioning liabilities Issue background

During 2018, management undertook an in-depth review of its overall decommissioning provisions strategy. Following the review, the provisions required in respect of decommissioning obligations increased by €123.0 million, largely driven by: a change in forecast timing of future decommissioning activities; new estimates for the volumes of waste arising and the costs of its disposal; revisions to estimates for capital investments required to decommission plant; and additional scope for certain legacy assets that need decommissioning, particularly on the Capenhurst site.

Key estimates are required in calculating provisions for decommissioning obligations, including the likely costs and timing of future activity required for Urenco to satisfy its legal obligations, together with assumptions relating to the relevant discount and inflation rates applied.

Further descriptions of the nature of decommissioning provisions and other items noted above are provided in note 30 of the Group's Consolidated Financial Statements.

#### Committee response: The Group reviews its overall

decommissioning provisions strategy in depth on a triennial basis, using a steering group of senior technical and operational personnel. This was last performed in 2018 and will next be performed in 2021. In addition, management reviews the decommissioning provisions for each of its enrichment sites on an annual basis to ensure key assumptions remain valid and that the provisions continue to accurately reflect the Group's liabilities.

During the year the valuation of the decommissioning provisions was increased by €66.3 million mainly as a result of the impact of reductions to the discount rates applied. The impact of the change in discount rates accounted for €64.9 million of this increase, of which €31.7 million was recognised as an exceptional item in the income statement and €33.2 million has been recognised as an increase in decommissioning asset.

The Committee reviewed and challenged the key assumptions and judgements employed in the periodic review, as well as the resulting associated financial provisions estimated to be required.

The decommissioning provisions recognised at each period end are audited by Deloitte, and the Committee receives oral and written reporting on this work. This included consideration of Deloitte's work in respect of cost estimates, timing estimates, and the application of applicable discount and inflation rates. These matters are discussed with Deloitte, both to understand their work, and to facilitate challenges to management in this area.

The Committee was satisfied that the provisions recognised in respect of decommissioning are appropriate.

## Revenue and feed profit recognition

## Issue background

Key management judgements include Urenco's assessment of the period in which revenue and profit should be recognised at the point in time when control of the service or good transfers to the customer, the fair value of consideration received, ownership and legal title over uranic material, the amount and timing of gains and losses recognised from commodity contracts held at fair value, and the accounting adopted for any unusual or non-standard transactions in the period. These judgements are relevant for sales of enriched uranium, enrichment services and natural uranium each year.

For enrichment sales, management judgement is required in concluding that when Urenco performs enrichment activity, this is not enhancing an asset that is controlled by any specific customer, and therefore revenues should be recognised at a point in time – not over a period of time. Judgement is required in assessing that the point in time when control of the enrichment services passes to the customer is normally on delivery of the enriched uranium. Management judgement is also required in assessing the amount of the overall value of a long-term enrichment contract that should be allocated to each of the individual deliveries based on management's assessment of the standalone selling prices of those deliveries.

In terms of feed sales profit recognition, management judgement is required when considering whether Urenco holds title to feed volumes sold, or whether the feed is from third party feed stocks held at Urenco enrichment sites. To the extent that any third party feed is sold by Urenco (none in the current period), then a provision would be required to reflect the current market value of the feed volume deficit

## Audit Committee Report continued

**Committee response:** Each year, the Committee considers and assesses the Group's revenue recognition policy for all sale types, through the annual review of finance policies prepared by management. The revenue accounting policy is summarised within note 2 of the Group's consolidated financial statements.

The Committee considered any observations and findings made by the external auditors as part of their reporting within their oral and written report presented on 3 March 2020. For the year ended 31 December 2019, this included the observation that revenue accounting for contract modifications required critical accounting judgements, particularly regarding the stand-alone selling price. The Committee reviewed and challenged management's judgements on this, particularly on 8 October 2019 when both management and the external auditor provided reports on this.

In respect of feed profit recognition, management performs a feed 'headroom test' to assess the level of feed inventory to which Urenco holds legal title. The Committee was satisfied that it was calculated appropriately and that there was no requirement to defer the recognition of profit on feed sales.

Finally, in respect of the commodity contracts held at fair value and the non-standard or complex transactions in the year, the Committee challenged management on the cases that it presented, in order to understand their commercial substance, and proposed accounting, in order to ensure these were appropriate.

The Committee was satisfied that timing of revenue recognition is appropriate and that the profit recognition for feed sales has been accounted for appropriately.

## Financial and business reporting

At its meeting on 3 March 2020, the Committee reviewed the content of this Annual Report and Accounts and advised the Board that, in its view, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In justifying this statement, the Committee has considered the robust process which operates in creating the Annual Report and Accounts, including the fact that:

- Clear guidance and instruction is given to all contributors;
- Revisions to regulatory requirements and new accounting standards are monitored on an ongoing basis;
- Planning meetings are conducted between management of key subsidiaries and the external auditors in advance of the year end reporting process, and the information/developments raised in these meetings used to inform the compilation of the Annual Report;
- A thorough process of review, evaluation and verification of the inputs from business units is undertaken to ensure accuracy and consistency;
- A meeting of the Committee was held in March 2020 to review and approve the draft 2019 Annual Report and Accounts in advance of the final sign off by the Board. This review included the critical accounting judgements explained in note 2 of the Group's consolidated financial statements; and
- The Committee considered the conclusions of the external auditor over the key audit risks that contributed to their audit opinion.

External audit effectiveness and independence

The Committee has satisfied itself that the UK professional and regulatory requirements for audit partner rotation and employment of former employees of the external auditor have been complied with.

The external auditors are required to adhere to a rotation policy based on best practice and professional standards in the UK. The standard period for rotation of the audit engagement partner is five years, and for any key audit partner, seven years. The current audit engagement partner was appointed during Urenco's 2016 financial year and will rotate off at the conclusion of the 2020 audit in accordance with this requirement.

During the year, management reviewed the European Commission rules on mandatory audit firm rotation and the Order by the Competition and Markets Authority regarding the mandatory use of competitive tender processes and auditor responsibilities including the associated transition rules. As a result of that review, management is now satisfied that Urenco Limited is a non-EU Public Interest Entity (PIE) and is, therefore, not required to formally tender or rotate the external audit. Accordingly, Urenco Limited can continue to reappoint Deloitte LLP. However, management notes that due to its status as an EU PIE, Urenco Finance NV, a subsidiary incorporated in the Netherlands, will be required under Dutch EU PIE audit regulations to formally tender the external audit at the latest following completion of the 2020 audit. As Deloitte will have reached the maximum term of 10 years, Urenco Finance NV requires a different audit firm from 2021. Currently Urenco does not have any contractual obligations that would restrict its choice of external auditor.

During 2020, the Committee will consider a proposal from management to address auditor rotation requirements, and make a recommendation to the Board for approval prior to the end of the year.

The Committee reviewed the effectiveness of the external auditor during 2019. This process incorporated feedback from management and key individuals across the Group, as well as the Committee's own experience. The assessment considered the robustness of the audit process, the quality of the delivery of the audit plan, the quality of reporting on findings and recommendations to the Committee and management, and the quality of the audit team and service provided.

In considering the independence of the external auditor, the Committee received a transparency report from the auditor, which describes their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the Group. Since 2014, the Committee has had an Auditor Independence Policy, which was reviewed by the Committee on 3 March 2020. Urenco's Auditor Independence Policy includes the definition of prohibited non-audit services, which corresponds with the European Commission's rules on auditor independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

The engagement of the Group's external auditors to provide audit related assurance services and non-audit services which are not prohibited is subject to rigorous internal control and approval and may only be undertaken up to a cumulative value of €100,000 for each category of audit services after which reference to, and approval of, the Committee is required. Further details of the split between Deloitte LLP's fees between audit services and non-audit services is provided in note 5 of the Group's Consolidated Financial Statements.

## **Audit Committee Report** continued

Having reviewed Deloitte LLP's performance during the year and satisfied itself of their continuing independence and objectivity within the context of applicable regulatory requirements and professional standards, the Committee has invited the Board to recommend the reappointment of Deloitte LLP as auditor at the forthcoming Annual General Meeting (AGM) and a resolution to that effect appears in the notice of the AGM. Deloitte LLP has accumulated significant knowledge and experience that allow it to carry out effective and efficient audits during this period and provide insightful and informed challenge.

## Risk management and the effectiveness of internal control

The Terms of Reference of the Committee require that the Committee review and examine the effectiveness of the Company's internal controls and risk management systems and advise the Board in the exercise of its responsibility for maintaining sound risk management and internal control systems.

The Board has approved a set of policies, procedures and frameworks for effective internal control. The Group has procedures for the delegation of authorities for significant matters, to ensure approval is sought at the appropriate level. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

A formal annual certification is provided by senior management confirming that appropriate internal controls were in operation throughout the year and confirming compliance with Group policies and procedures. Any weaknesses are highlighted, reviewed by senior management, the Group Head of Risk and Internal Audit and reported to the Committee. The Internal Audit function will also monitor and selectively check the results of this exercise, ensuring that representations made are consistent with the results of its work during the year.

During 2019, the Group Head of Risk and Internal Audit regularly provided relevant updates detailing new commercial or operational risks and any additional mitigation required to Committee meetings. In addition the Committee considered the adequacy and appropriateness of mitigating controls or risk reduction strategies, as detailed on pages 28 to 31.

The Terms of Reference also require that the Committee review and approve the statements concerning internal controls and risk management to be included in the Annual Report (and interim statements, if they are produced). In 2019, as in previous years, the Committee conducted such review and gave its approval. Much of the Committee's work in this area was driven by the Group Head of Risk and Internal Audit's reports on the effectiveness of internal controls and fraud. A summary of the Committee's engagement with the Internal Audit function is set out below.

#### Internal audit

The Group has an Internal Audit department with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of Urenco's operations.

The Internal Audit function carries out risk-based audits across the Group and is based on an audit plan, which is aligned to the key risks of the business and is presented to and approved by the Committee. Any amendments to the plan are also subject to approval from the Committee.

The Group Head of Risk and Internal Audit has direct access to the Chair of the Committee and provides updates regarding internal audit activities, progress of the Group internal audit plan, the results of any unsatisfactory audits, the action plans to address these areas and any resource requirements needed to meet the Committee's assurance requirements.

During the year, the Committee also reviewed and approved the proposed internal audit programme for 2020 and the performance of the Group Head of Risk and Internal Audit in delivering the 2019 internal audit plan. No significant issues or concerns were highlighted.

## **Approval**

On behalf of the Audit Committee

## Frank Weigand

Chair of the Audit Committee

## SUSTAINABILITY COMMITTEE REPORT

## Chair's statement

#### **Miriam Maes**

Chair, Sustainability Committee

I am pleased to present the report of the Sustainability Committee (the 'Committee') for 2019.

During 2019, my fellow Committee members and I have continued in our commitment to oversee and help drive forward key sustainability policies across the Urenco Group.

A key focus has been to improve the inclusive nature of our culture and increase the diversity of our workforce. The work in this area is considered a high priority, and in this respect a set of enhanced goals have been set in the areas of recruitment, succession planning and

The Committee is one of the three committees of the Board of Directors of Urenco Limited. The Committee's main areas of focus are the monitoring of key performance indicators ('KPIs') in health and safety, environment, asset integrity, security and non-proliferation, safeguards, ethical conduct, social performance and employee engagement (including diversity and inclusion).

In this report the Committee provides a description of the key activities it has performed during the year.

#### Duties

In accordance with its terms of reference, the Committee's key responsibilities include, but are not limited to:

- Receiving regular reports from management on the implementation and operation of the Group's sustainability related policies and standards, and challenging, where appropriate, the actions of management;
- Reviewing on an annual basis the Group's sustainability agenda and associated policies, with a view to ensuring that these take account of external developments and expectations, and reporting to the Board on the results of these reviews;
- Conducting annual reviews of the Group's implementation of policies on: health and safety, asset integrity; social performance (including community relations, social investment, political contexts and charitable donations); environment and ethical conduct and reporting to the Board on the results of these
- Reviewing and approving KPIs in relation to the Committee's main areas of focus, and monitoring performance against such targets;
- Considering and approving the Group's Sustainability Report; and
- Compiling a report on the Group's sustainability activities to be included in the Group's Annual Report.

A copy of the Sustainability Committee's Terms of Reference is available on Urenco's website at www.urenco.com

The Sustainability Committee comprises four members:

- Miriam Maes (Committee Chair and Non-Executive Director)
- Justin Manson (Non-Executive Director)
- Frank Weigand (Non-Executive Director)
- Boris Schucht (Chief Executive Officer)<sup>1</sup>
- Thomas Haeberle (Chief Executive Officer)2

The Committee met three times in 2019.3 Two of the meetings took place at the Group's Headquarters in Stoke Poges. One took place at Urenco's enrichment facility in Gronau, Germany.

The membership and attendance record of the Committee members during 2019 is set out below.

	Number of meetings in 2018	Meetings attended
Miriam Maes	3	3
Justin Manson	3	3
Frank Weigand	3	3
Boris Schucht	2	2 <sup>1</sup>
Thomas Haeberle	1	<b>1</b> <sup>2</sup>

Activities of the Sustainability Committee during the year:

In 2019, the Committee:

- Considered and approved the 2018 Sustainability Report to meet the Global Reporting Initiative's (GRI) Standards - Core Option;
- Monitored the implementation of the Group's sustainability programme;
- Reviewed performance against non-financial KPIs in each of Urenco's six sustainability focus areas;
- Reviewed safety and security performance during 2019 and monitored the implementation of initiatives in these areas; and
- Monitored the development of Urenco's diversity and inclusion programme, including the roll out of awareness training for employees.

## **Approval**

On behalf of the Sustainability Committee.

### **Miriam Maes**

Chair of the Sustainability Committee

Boris Schucht was appointed as a member of the Committee as of  $1\,\mathrm{May}$  2019. Thomas Haeberle resigned as a member of the Committee as of  $31\,\mathrm{March}$  2019. 27 February,  $10\,\mathrm{July}$  and  $8\,\mathrm{October}$ .

## REMUNERATION REPORT

## Chair of the Remuneration and Appointments Committee Statement

#### Mel Kroon

Chair, Remuneration and Appointments Committee

I am pleased to present the report of the Remuneration and Appointments Committee for 2019.

The role of Urenco's Remuneration and Appointments Committee remains to ensure that the Chair of the Board and Executive positions are occupied by individuals who are able to meet the requirements of the role. Furthermore the Committee is responsible for the remuneration arrangements for the Chair of the Board and for the Executive Directors, in order to offer every encouragement to enhance the Company's performance and deliver our strategy in a responsible manner.

### Introduction

This report is on the activities of the Remuneration and Appointments Committee for the year to 31 December 2019. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of Urenco. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

The report is split into three main areas:

- The statement by the Chair of the Remuneration and Appointments Committee;
- The annual report on remuneration; and
- The policy report.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report. The statement by the Chair of the Remuneration and Appointments Committee and the policy report are not subject to audit.

The annual report on remuneration provides details on remuneration in the year. It has been approved by shareholder representatives at the Remuneration and Appointments Committee on 10 March 2020.

## Composition

The Remuneration and Appointments Committee is composed entirely of Non-Executive Directors. The Chair of the Committee is Mel Kroon.

Frank Weigand, Alan Bevan and Richard Nourse are members of the Committee. Frank Weigand and Alan Bevan share one vote. In attendance by invitation are the Chairman of the Board, the Chief Executive Officer and Chief Human Resources Officer. The Chief Executive Officer does not attend the meetings where his remuneration is discussed.

## Role and responsibilities

The Remuneration and Appointments Committee is a committee of the Board of Directors of Urenco Limited. In accordance with its terms of reference, the key responsibilities of the Remuneration and Appointments Committee include, but are not limited to, the following:

- Advising the Board on the appointment of Non-Executive Directors (if any), to be appointed in accordance with the Company's Articles of Association;
- Making recommendations to the Board on the appointment of the Chair, Chief Executive Officer, Chief Financial Officer and the Company Secretary;
- The setting of remuneration for the Chair, Chief Executive Officer and Chief Financial Officer, including executive remuneration policy and Long Term Incentive Plan (LTIP) arrangements;
- Providing advice to the Board on the fees of Non-Executive Directors of the Company;
- Advising on the remuneration policy for the Executive Directors;
- Keeping under review the leadership needs of the organisation, giving full consideration to succession planning for the Board and Senior Executive Management;
- Reviewing and making recommendations to the Board annually on the remuneration of the Chief Executive Officer, Chief Financial Officer and the Company Secretary; and
- Monitoring, and where appropriate approving, the remuneration of senior management.

A copy of the Committee's Terms of Reference is available on Urenco's website at www.urenco.com

#### Membership and attendance during the year

	Number of meetings in 2019	Meetings attended
Alan Bevan	6	6
Mel Kroon	6	6
Richard Nourse	6	6
Frank Weigand	6	6

#### Key issues in 2019

During 2019 the Remuneration and Appointments Committee:

- Reviewed the 2019 and 2020 targets set for the Chief Executive Officer and Chief Financial Officer;
- Considered Executive remuneration, as well as Chair and Non-Executive Director fees;
- Considered the remuneration related to the temporary appointment of the Chairman to the role of Executive Chair in April 2019;
- Conducted a search for a new Chair of the Board;
- Reviewed the Executive Remuneration Policy;
- · Discussed succession planning; and
- Reviewed the long-term and short-term incentive plans.

## Approval

This Statement was approved by the Remuneration and Appointments Committee on 10 March 2020.

## Mel Kroon

Chair of the Remuneration and Appointments Committee

## Annual report on remuneration

All figures are reported in euros. In the event that payments are made in sterling, the average rate is used for conversion purposes; this was £0.88 to €1 for 2019 (2018: £0.89 to €1).

## Single total figure of remuneration for each Director (audited)

The remuneration of the Executive Directors for the years 2019 and 2018 was made up as follows:

2040	Basic salary and fees¹	Pensions <sup>2</sup>	Benefits	Performance related bonuses <sup>3</sup>	LTIP	Total
2019	€	€	€	€	€	€
Executive Directors						
Thomas Haeberle <sup>6</sup>	239,146	25,640	36,969	176,375	-	478,130
Boris Schucht <sup>7</sup>	374,693	52,457	94,282	318,489	-	839,921
Stephen Billingham <sup>8</sup>	150,203	-	-	-	-	150,203
Ralf ter Haar	441,916	59,408	87,703	362,452	504,569	1,456,048
Total	1,205,958	137,505	218,954	857,316	504,569	2,924,302
2018	Basic salary and fees¹ €	Pensions² €	Benefits €	Performance related bonuses³ €	LTIP <sup>7</sup> €	Total €
<b>Executive Directors</b>						
Thomas Haeberle	825,309	101,850	96,740	632,926	1,891,445 <sup>4</sup>	3,548,270
Ralf ter Haar	432,676	57,552	65,100	357,643	446,226⁵	1,359,197
Total	1,257,985	159,402	161,840	990,569	2,337,671	4,907,467

<sup>&</sup>lt;sup>1</sup> Base salary and fees for both Thomas Haeberle and Ralf ter Haar include adjustments as part of their remuneration due to the movements in sterling against the euro compared to agreed historical exchange rates of 1.30 and 1.20 respectively. The base salary for Boris Schucht is stated in euros.

The remuneration of the Non-Executive Directors for the years 2019 and 2018 was made up as follows:

2019	Fees² €	Benefits €	Performance related bonuses €	LTIP €	Total €
Non-Executive Directors					
Stephen Billingham	244,831	-	-	-	244,831
Alan Bevan	50,700	-	-	-	50,700
Mel Kroon	57,275	-	-	-	57,275
Miriam Maes	58,320	-	-	-	58,320
Justin Manson <sup>1</sup>	57,365	-	-	-	57,365
Richard Nourse	50,700	-	-	-	50,700
Frank Weigand	69,367	-	-	-	69,367
Total	588,558	-	-	-	588,558

<sup>&</sup>lt;sup>1</sup> The fee payable in respect of the Non-Executive Directorship held by Justin Manson is paid to his employer, UK Government Investments Limited.

<sup>&</sup>lt;sup>2</sup> The amounts for pensions include taxable pension salary supplements.

<sup>&</sup>lt;sup>3</sup> The short-term incentive maximum opportunity for both Boris Schucht and Ralf ter Haar was 100% in 2019 (2018: 100%). The short-term incentive maximum opportunity for Thomas Haeberle was also 100% in 2018.

<sup>&</sup>lt;sup>4</sup> The amounts for the LTIP include the full cash awards for the scheme maturing at the end of the year, which are paid after the year end. For Thomas Haeberle the amount in 2018 includes the cash award related to the LTIP 2016, which matured on 31 December 2018. This amount also includes Good Leaver payments made against the LTIP 2017 and LTIP 2018, which were pro-rated in accordance with his amended contractual terms as approved by the Remuneration Committee in December 2016. These amended terms reduced the effect of pro-rating by half. Accordingly for the LTIP 2017 the pro-rating factor was 5/6 of the maximum entitlement of 150%, with a payout percentage of 80.9% reflecting the estimated outturn at that time. For the LTIP 2018 the pro-rating factor was 2/3 of the maximum entitlement of 150%, with a payout percentage of 66.7% reflecting expected on-target performance. No additional leaver payments were made.

<sup>&</sup>lt;sup>5</sup> For Ralf ter Haar the amount in 2018 represents the cash award related solely to the LTIP 2016, which matured on 31 December 2018.

<sup>&</sup>lt;sup>6</sup> In 2019, Thomas Haeberle received his salary and a pro-rated bonus of £155,000 for the period from 1 January 2019 to his departure date of 31 March 2019.

<sup>&</sup>lt;sup>7</sup> The application of IFRS to the calculation of Boris Schucht's salary results in a non-material mismatch between the figures reported and his underlying contract.

Thomas Haeberle left Urenco on 31 March 2019 and Boris Schucht started on 1 May 2019. Stephen Billingham was appointed Executive Chair for the month of April, additionally assuming all the duties and responsibilities undertaken by the Chief Executive. Stephen also spent significant additional time on Company business leading up to the departure of Thomas Haeberle and following the arrival of Boris Schucht to facilitate continuity and appropriate handover between Chief Executives. In consideration of the additional executive responsibilities undertaken, the Remuneration Committee agreed to compensate him for the duties and responsibilities taken during this period and determined a fee of £132,000, being an amount comparable to the total remuneration package paid to the Chief Executive. This is in addition to his normal monthly fee as Chairman of the Board disclosed in the Non-Executive table. He did not receive any other additional benefits or incentives.

<sup>&</sup>lt;sup>2</sup> Non-Executive Directors' fees are increased in line with the average pay rises paid to Urenco employees.

## **Remuneration Report** continued

2018	Fees €	Benefits €	Performance related bonuses €	LTIP €	Total €
Non-Executive Directors					
Stephen Billingham	236,034	-	-	-	236,034
Alan Bevan	48,873	-	-	-	48,873
Mel Kroon	16,291	-	-	-	16,291
Miriam Maes	55,304	-	-	-	55,304
Justin Manson <sup>1</sup>	52,124	-	-	-	52,124
Richard Nourse	48,873	-	-	-	48,873
George Verberg	36,012	-	-	-	36,012
Frank Weigand	59,384	-	-	-	59,384
Total	552,895	-	-	-	552,895

<sup>&</sup>lt;sup>1</sup> The fee payable in respect of the Non-Executive Directorship held by Justin Manson is paid to his employer, UK Government Investments Limited.

Additional requirements in respect of the single total figure table

#### **Share holding**

No director holds any shares in the Company.

#### **Taxable benefits**

Taxable benefits paid to Executive Directors include provision of motor vehicles, medical insurance and some living expenses.

#### Performance related bonuses

Performance related bonuses for Executive Directors are based on individual and Company-based performance criteria.

## Long term incentive plan

The long term incentive plan (LTIP) is an annual scheme which grants cash awards with the maximum potential award determined at grant. Awards only vest to the extent that certain performance targets are met over the relevant performance period.

The Executive Directors are eligible to share in the Company's LTIP. Details of the accrued entitlements earned by the Executive Directors are shown below:

	Boris Schucht €	Thomas Haeberle €	Ralf ter Haar €	Scheme maturing at 31 December
Incentive scheme accrual as at 1 January 2019	-	1,891,445	901,760	
Foreign exchange adjustments	-	47,710	48,882	
LTIP 2016 paid during the year	-	(722,352)	(457,481)	2018
LTIP 2017 accrued/(paid) during the year	-	(726,991)	158,834	2019 <sup>1</sup>
LTIP 2018 accrued/(paid) during the year <sup>3</sup>	88,667	(489,812)	58,815	2020 <sup>1</sup>
LTIP 2019 accrued during the year <sup>3</sup>	52,826	-	60,508	2021 <sup>2</sup>
Total LTIP accrual at 31 December 2019	141,493	-	771,318	

<sup>&</sup>lt;sup>1</sup> After year end 2018 Thomas Haeberle received Good Leaver payments relating to the LTIP 2017 and LTIP 2018. These payments were pro-rated in accordance with his contractual terms, as approved by the Remuneration and Appointments Committee in December 2016.

The Executive Directors participate in LTIPs, which are normally granted on an annual basis. All plans result in a potential award of cash, with the maximum potential determined at the date of grant with the awards vesting after a specified number of years. The performance criteria under the various plans and associated cash awards vary, as do the performance periods. As at 31 December 2019, Boris Schucht was a participant to the LTIP 2018 and LTIP 2019. Ralf ter Haar was a participant to the LTIP 2017, LTIP 2018 and LTIP 2019.

 $<sup>^{\</sup>rm 2}\,$  Thomas Haeberle was not a participant to the LTIP 2019.

<sup>&</sup>lt;sup>3</sup> Boris Schucht was awarded rights in the LTIP 2018 and LTIP 2019 as part of his remuneration package on joining the Company.

## **Remuneration Report** continued

#### LTIP 2017:

The LTIP 2017 has a grant date of 2017 and a performance period of three years running from 1 January 2017. The scheme matures on 31 December 2019 and vests in 2020.

The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

- (i) Strategic Milestones aligned with cost saving targets (50%), growth opportunities (25%) and business portfolio (25%); and
- (ii) Value Creation (50%) as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element.

In the event of 'on target' performance, the award is therefore weighted 50% attributable to Strategic Milestones and 50% attributable to Value Creation. There is no increase in award for over performance and therefore the maximum Performance Score is 100%.

The Performance Score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as a percentage of salary for Executive Directors are 150% of annual base salary (as at 1 January 2017) multiplied by the Performance Score.

#### LTIP 2018:

The LTIP 2018 has a grant date of 2018 and a performance period of three years running from 1 January 2018. The scheme matures on 31 December 2020 and vests in 2021.

The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

- (i) Strategic Milestones aligned with Diversity and Inclusion (10%); and
- (ii) Value Creation as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element (90%).

There is no increase in award for over performance and therefore the maximum Performance Score is 100%.

The Performance score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as a percentage of salary for Executive Directors are 150% of annual base salary (as at 1 January 2018) multiplied by the Performance Score.

#### LTIP 2019:

The LTIP 2019 has a grant date of 2019 and a performance period of three years running from 1 January 2019. The scheme matures on 31 December 2021 and vests in 2022.

The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

- (i) Strategic Milestones aligned with Diversity and Inclusion (10%); and
- (ii) Value Creation as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element (90%).

There is no increase in award for over performance and therefore the maximum Performance Score is 100%.

The Performance score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as a percentage of salary for Executive Directors are 150% of annual base salary (as at 1 January 2019) multiplied by the Performance Score.

Strategic report Governance Financial statements

#### Governance

## **Remuneration Report** continued

#### **Total pension entitlements**

The Executive Directors are eligible for membership to the defined contribution section of the Group pension scheme. The scheme also provides for dependants' pensions and lump sums on death in service.

## Relative importance of spend on pay

The table below shows the actual employee costs of the Group and change between the current and previous years, compared to retained earnings and dividends.

	2019 €m	2018 €m	% increase
Total employee costs	168.4	160.3	5.1%
Retained earnings	1,310.0	1,620.0	(19.1)%
Dividend	300.0	300.0	0.0%

## Statement of implementation of remuneration policy in the following financial year

The primary objective of the Urenco remuneration policy is to ensure that competitive reward packages are offered that will attract, retain and motivate talented and experienced senior executives to run the business effectively, and to promote the success of the Company. A significant proportion of Executive remuneration should be related to specific performance targets.

The Policy has evolved over time, to align with Urenco's strategy, market practice and shareholders' views. A consistent and competitive structure, which applies across the workforce, is also a core principle. This consistency allows for a culture of shared purpose and performance.

The package offered to Executive Directors consists of base salary, benefits, pension, performance related bonus and a long term incentive plan (LTIP). Salary and benefits are reviewed annually. The Chief Financial Officer received a 3.0% increase in base salary for the 2019 calendar year, compared to 2018. This increase in base salary was in line with the increase for all employees throughout the Company. Executive Directors receive benefits that principally comprise some living expenses, motor vehicles, private healthcare and other expenses.

The remuneration of the Non-Executive Directors is in line with UK market standards and is reviewed annually.

#### Consideration of matters relating to Directors' remuneration

The Committee makes recommendations to the Board on the remuneration packages for each Director. Remuneration for each Non-Executive Director is subject to final approval at the Annual General Meeting.

## Policy report

## Introduction

The information below summarises key aspects of the Company's remuneration policy for Executive and Non-Executive Directors. In order to improve clarity, the format and wording of this report was reviewed and approved by the Remuneration Committee in February 2020. This review did not result in any change to the remuneration or benefits offered to Executive and Non-Executive Directors.

## **Future policy**

The policy is that a substantial proportion of the pay and benefits package should be performance related. The following provides a summary of the key components of the remuneration package for Executive Directors:

Element	Purpose and link to strategy	Maximum Opportunity	Operation and Performance Measurement
Base Salary	To attract and retain high calibre	N/A	Base salary and pensionable base salary (where different) are reviewed, but not necessarily increased, annually.
	Executives.		In making salary determinations, the Remuneration Committee (REMCO) will consider:
			• the market positioning of the Executive Directors' compensation packages;
			• comparison with Senior Management salaries;
			• planned average salary increase for other employees;
			<ul> <li>the experience, skills and performance of the Executive Director, or any change in the scope and responsibility of their role;</li> </ul>
			<ul> <li>general economic conditions, Urenco's financial performance, and governance trends; and</li> </ul>
			<ul> <li>the impact of salary increases on pension benefits and other elements of the package.</li> </ul>
Benefits	nefits To provide market competitive benefits. As specified in Urenco's standard policies.		Benefits that Executive Directors typically receive include car allowances, risk benefits (for example ill-health, disability or death-in-service), as well as employer contributions to insurance plans (such as medical). Precise benefits will depend on the Executive Director's specific circumstances such as family status.
		Urenco's mobility policies may apply, such as for relocation and tax return preparation support.	
			REMCO may adjust the range and scope of the benefits offered. Personal loans or guarantees are not provided to Executive Directors.
Annual Performance-	Rewards the delivery of short-term	Maximum bonus for CEO/CFO (as a	The REMCO believes it is important for annual variable pay to complement the LTIP's focus on longer-term financial outcomes.
Related Bonus	in line with Urenco's strategic priorities, as well as individual contribution to	in line with Urenco's strategic priorities, as well as individual contribution to salary):  • 100%  On-target levels (as a percentage of	For the 2019 performance year, the scorecard framework will consist of financial targets (60% weighting), operational excellence (20% weighting) and individual targets (20% weighting). The same annual bonus scorecard approach applies to other senior executives, supporting consistency of remuneration and alignment of objectives.
ordines.	base salary): • 66.7%	For future years, the specific measures and weightings for the annual bonus scorecard will be reviewed annually by REMCO and adjusted accordingly to evolve with Urenco's strategy and circumstances. The annual review will also consider the scorecard target and outcome history over previous years to ensure that the targets set remain stretching but realistic.	
			The bonus is determined by reference to performance from January 1 to December 31 each year;
			<ul> <li>The Committee has the discretion to reduce bonus payouts in the event of material issues in relation to health and safety, security, quality, or regulatory performance.</li> </ul>

## **Remuneration Report** continued

Element	Purpose and link to strategy	Maximum Opportunity	Operation and Performance Measurement
LTIP	Rewards longer-term value creation linked to Urenco's strategy.		<ul> <li>Award levels are determined annually by REMCO and are set within the maximum approved in the Policy;</li> <li>The selection of participants and their maximum award is recommended by the CEO and approved by the REMCO;</li> <li>Awards may vest between 0% and 100% of the initial award level depending on Urenco's performance. A cash payment is calculated on the basis of each participant's maximum award multiplied by the overall performance score;</li> <li>For LTIP 2019, performance is assessed over a three-year period and is based on value creation (90%) and diversity &amp; inclusion measures (10%). Each measure can vest independently and the LTIP award is subject to clawback and malus provisions;</li> <li>The REMCO may vary the conditions, suspend or terminate the LTIP at any time at its discretion.</li> </ul>
Pension	To provide market competitive benefits.	Maximum Company contribution is 16.0% of salary for all employees in the defined contribution pension scheme.	Executive Directors' retirement benefits are maintained in line with those of the wider workforce. Only base salary is pensionable. The rules of the relevant plans detail the pension benefits which members can receive on retirement (including on ill-health), death or leaving service.

The following provides a summary of the key elements of the remuneration package for Non-Executive Directors:

Fees	To compensate Non-Executive Directors for their Board work.	Reviewed annually.	This is determined for each Non-Executive Director taking into account the responsibilities of the individual and information from independent sources on the level of salary for similar jobs in a selected group of comparable companies.  Remuneration for Non-Executive Directors is subject to final approval at the Annual General Meeting.
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## Approach to recruitment remuneration

The ongoing remuneration arrangements for a newly recruited or promoted Director will reflect the remuneration policy in place for Directors at the time of appointment. The ongoing components for Executive Directors will therefore comprise base salary and fees, benefits, performance related bonus, LTIP and pension contribution. The ongoing components for Non-Executive Directors will comprise fees.

The initial base salary for a newly recruited or promoted Executive Director will be set to reflect the individual's experience, salary levels within the Company and market levels. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

## Approval

This report was approved by the Board of Directors on 11 March 2020.

Mel Kroon

Chair of the Remuneration and Appointments Committee

## **DIRECTORS' REPORT**

The Directors present their Annual Report and Accounts for the year ended 31 December 2019.

## Regulations relating to Strategic Report

The Directors have ensured compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and have presented the Strategic Report separately to the Directors' Report. Both Reports must also be separately approved by the Board of Directors and signed on behalf of the Board by a Director or the Company Secretary. The Corporate Governance section set out on pages 44 to 47 forms part of this report. In accordance with Schedule 7:1A of the Accounting Regulations, the Group has detailed in the Strategic Report items that are required to be disclosed in the Directors' Report. Where this has occurred reference has been made in the Directors' Report to related comments in the Strategic Report.

#### Results and dividends

Net income post-exceptional items for the year attributable to equity holders of the Parent Company amounted to €7.6 million (2018: €511.3million).

The Directors recommend a final dividend for the year of €300.0 million. The Directors have assessed the level of distributable reserves and cash resources at the Parent Company and are satisfied they are sufficient to support the proposed dividend. No interim dividend was paid during 2019 (2018: final dividend of €300.0 million paid in 2019, with no interim dividend declared or paid in 2018). Details of the dividend are disclosed in note 11 to the consolidated financial statements. The policy and its application are explained in the Strategic Report on page 37.

## Principal activity

The Urenco Group's principal activity is the supply of enrichment services (SWU) and the provision of enriched uranium product (EUP) to generate fuel for nuclear power utilities. Urenco has four uranium enrichment facilities, located at Almelo in the Netherlands, Capenhurst in the UK, Gronau in Germany and Eunice, New Mexico in the USA.

The Group also has subsidiaries dedicated to overseeing our work in the field of uranium stewardship. These include Urenco ChemPlants Limited, which is responsible for the construction of the TMF in the UK; and Urenco Nuclear Stewardship Limited, which provides responsible materials management for the nuclear industry.

The Group also owns a 50% interest in ETC, a joint venture company jointly owned with Orano. ETC provides gas centrifuge technology for the Group's enrichment facilities through its subsidiaries in the Netherlands, UK, Germany, and the USA. The Group accounts for its interest in ETC using the Equity Accounting method.

Urenco Limited is the ultimate holding company and provides management and strategic support for the Urenco Group, being Urenco Limited and its subsidiaries.

More information on the Group's activities is presented from page 8 in the Strategic Report. An indication of the likely future developments in the Group and details of research and development activities are included in the Strategic Report on page 26.

## Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Chief Executive Officer's review on pages 4 to 7 and the Group Finance Report on pages 32 to 37. The Group Finance Report includes information on the financial position of the Group as well as a description of the Group's objectives, policies and processes for managing its capital, its exposures to foreign currencies and other financial risks. Urenco's business is long term by nature and its significant order book of contracted and agreed sales (€10.6 billion extending to the first half of the 2030s (2018: €11.9 billion)) provides a strong foundation for the future. The Group has adequate financial resources and its cash flow forecasts indicate that financing facilities committed and in place are sufficient to cover the Group's cash needs to at least a year after the approval date of these financial statements, including all committed capital expenditure.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 37 and in note 28 to the consolidated financial statements.

## Capital structure

The capital structure is set out in note 25 of the consolidated financial statements and forms part of the Group Finance Report on page 35.

## Research and development

Research and development within the Group are predominately carried out by the Central Technology Group (CTG) which conducted research and development into improving operational performance and safety.

Research activities relating to core centrifuge technology are undertaken by ETC to maintain the Group's position of technical excellence. The Group continues to seek out opportunities to exploit new markets.

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#### Governance

## **Directors' Report** continued

#### Political contributions and other donations

During the year, the Group made no contributions (2018: €nil) to political parties. As part of the Group's commitment to the communities in which it operates, contributions totalling €504,000 (2018: €302,000) were made during the year to local charities and community projects.

## Events after the reporting period

As of 11 March 2020, no material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the Annual Report and Accounts.

## Disabled employees

It is the policy of the Group to give full and proper consideration to applications from disabled people for employment where the job can be adequately performed by a disabled person. In the event that an existing employee becomes disabled, it is the policy of the Group to allow that person to continue their employment if possible, or to provide alternative training if necessary. Urenco adopts an equal opportunities policy for training, development and promotion, in order that our practices are not discriminatory towards any group of employee including those with a disability.

## Employee involvement and consultations

During the year, employees within the Group have been informed of developments throughout the Group and in the industry. This is through Group and local newsletters, the intranet, notices and meetings. Where appropriate, formal meetings were held between local management and employee representatives as part of the process of communication and consultation.

## Directors' interests

The Directors held no interests in the issued share capital of Urenco Limited either beneficially or otherwise at 31 December 2019 or at any other time during the year. The Directors have declared that they have no material interest during the year in any contract which is significant in relation to the Company's business.

## Customer and other business partner relationships

The Group carefully monitors and develops its long established relationships with its worldwide customer base and with policy makers in the nuclear industry. We regularly travel to and meet with our customers and enhance relationships by explaining, educating and enhancing their understanding and knowledge of our enrichment processes and operations. Additional information as to how we foster relationships with our business partners can be found in the Strategic Report on pages 19 to 25.

## Supplier payment policy and practice

The Group values its relationships with suppliers of goods and services. The Group negotiates terms and conditions of supply prior to delivery and, as a matter of policy, honours these terms once delivery has been made. At 31 December 2019, the Company had an average of 29 days' purchases owed to trade creditors (2018: an average of 27 days' purchases owed to trade creditors).

## **Auditor**

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- · So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP for the coming year will be put to the Annual General Meeting on 11 March 2020.

The Directors' Report has been approved for issue by the Board of Directors on 11 March 2020.

By order of the Board.

Ralf ter Haar Director

## DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework. Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for the year.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face: and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Directors' Responsibility Report has been approved for issue by the Board of Directors on 11 March 2020.

By order of the Board.

Ralf ter Haar

## Financial statements

## **INDEPENDENT AUDITOR'S REPORT**

## Report on the audit of the financial statements

- the financial statements of Urenco Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- · the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statement of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes to the consolidated financial statements 1 to 36; and
- the related Parent Company notes 1 to 20.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical 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 opinion.

## **Independent Auditor's Report** continued

## Summary of our audit approach

## **Key audit matters**

The key audit matters that we identified in the current year were:

- Carrying value of the US enrichment business;
- European enrichment business tails provisioning;
- Revenue and feed profit recognition; and
- Enrichment site decommissioning provisioning.

These key audit matters are consistent with those identified in the prior year.

#### Materiality

The materiality that we used for the Group financial statements was €25 million (2018: €25 million) which was determined on the basis of approximately 3% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities (2018: 4% of profit before tax excluding foreign exchange gains and losses on financing activities).

#### Scoping

Our Group audit scope focused on the four Urenco enrichment site operating entities (Urenco UK Limited, Urenco Deutschland GmbH, Urenco Nederland B.V. and Louisiana Energy Services, LLC), the entity constructing the Tails Management Facility (TMF) (Urenco ChemPlants Limited), the UK uranium handling services entity (Urenco Nuclear Stewardship Limited) and the UK head office entities. We performed full scope audits for all of these entities, which are significant to the Group. Our full scope audit procedures cover net assets (99% of Group total), revenue (99% of Group total) and profit before tax (98% of Group total).

### Significant changes in our approach

There were no significant changes to our approach from our prior year audit.

## Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Carrying value of the US enrichment business

## Key audit matter description

Management exercises judgement in assessing that the enrichment business is comprised of two cash-generating units ('CGUs'); being the US and European operations.

There is an ongoing requirement for management to assess each CGU for indicators of impairment or impairment reversal at each reporting period end. The 2019 year end impairment risk is focused on the US enrichment business CGU following identification of an indicator of impairment in respect of the long term forecasts for SWU market prices and costs, as a result of a number of political and geopolitical uncertainties, together with the increased potential for duties/tariffs being imposed that could impact the US enrichment business. In addition, during 2019, the tails provisions for the US enrichment business were adversely impacted by an increase in the unit tails rate indicated by the US Department of Energy. No indicator of impairment was identified for the European CGU.

Management has assessed the recoverable amount of the assets based on value in use, using a discounted cash flow model. The recoverable amount was €1,573 million and a pre-tax impairment charge of €500 million has been recorded in the income statement for 2019.

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## **Independent Auditor's Report** continued

There is a significant level of management judgement inherent in the value in use calculation, most significantly the forecast market price for SWU and the discount rate used to calculate the present value.

Forecast market prices for SWU have been derived from internal market analysis and external modelling, with expectations for future nuclear demand being a key input into this calculation. The discount rate was derived using the capital asset pricing model, and was validated by an independent external investment bank.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 50, and is a critical accounting judgement within note 2 to the consolidated financial statements. Note 2 to the consolidated financial statements also provides further details on the Urenco accounting policy for the impairment of enrichment assets. Further details on the impairment charge recognised are provided in note 6 to the consolidated financial statements.

## How the scope of our audit responded to the key audit matter

We have obtained an understanding of the relevant controls over management's impairment assessment process, and have reviewed and concur with the overall impairment methodology.

We obtained a sample of underlying sales agreements to assess whether the cash inflows for the US and European enrichment businesses are separately identifiable and independent.

We challenged management's SWU and feed pricing forecasts, including assumptions on nuclear energy demand by jurisdiction, and other key assumptions in the impairment assessment through involvement of our nuclear industry specialists, by benchmarking to third party evidence where available and through challenge of operational and commercial management.

We met with and assessed the competence and capability of management's third party expert engaged to model forecast SWU and feed pricing.

We challenged whether management's board approved business plan (2020-2029) was consistent with the new sales contracts signed during 2019 and the actual operational and capital cost performance in 2019.

We challenged management on other key assumptions used in the forecast post 2029 by benchmarking to third party evidence where available and through challenge of these assumptions with operational and commercial management.

We involved valuation specialists to perform an independent recalculation of the discount rate used in the impairment assessment.

We reviewed the work performed by management's expert and challenged key assumptions such as the peer Group used. We assessed the competence, capability and objectivity of management's external expert.

## **Key observations**

We concluded that the impairment recognised in respect of the US business has been appropriately determined by management.

## European enrichment business tails disposal provisioning

## Key audit matter description

During 2019, management continued to base the European enrichment sites' tails provisions using the estimated future de-conversion cost of processing tails through the Tails Management Facility ('TMF') currently being commissioned. The TMF de-conversion cost estimate is reviewed by management at each reporting period end, as this TMF cost estimate is required to measure the future tails de-conversion provision. As at 31 December 2019, Urenco recognised a €1,056 million (31 December 2018: €853 million) provision in respect of tails currently held at the three European enrichment sites, reflecting an increase in the volume of tails held and the expected de-conversion rate.

Significant management judgement is required in estimating the TMF de-conversion forecast cost assumptions, most notably the eventual operating cost of the TMF facility, as well as the capital costs of commissioning the facility. The latest TMF project review undertaken by management during 2019 indicated a substantially unchanged capital construction and commissioning cost. The forecast commissioning date of the TMF facility is now during 2020 (2018: early 2020). The results of the 2019 review were included in the 2019 tails de-conversion cost forecast used to estimate the European tails provision. Until commissioning is complete and operations commence, the total capital cost remains a key estimate within the European tails provision valuation, similarly any increase in the TMF operating cost would increase the current and future European tails provision.

The other key management estimates in valuing this long term European tails provision are the determination of the final tails disposal and transport costs; and macroeconomic assumptions (inflation and discount rate) to recognise the provision at a present value cost. During 2019, the European tails provisions continued to reflect changes in tails disposal routes related to an optimisation of tails management operations across the Group and the impact of the reduction in higher assay tails associated with the enrichment services contracts.

Given the nature of the nuclear enrichment industry, there is often very limited independent third party data or past precedent as to the eventual cost and timing of these activities.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on pages 50 and 51, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements. Further details on the tails provision are also provided in note 30 to the consolidated financial statements.

## **Independent Auditor's Report** continued

#### How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the tails provisioning processes.

We challenged the senior Group (the Urenco Limited executive Directors and executive management team) and operational management to understand the status of the TMF project, the residual risks and estimated contingency levels. The audit team performed the key audit procedures detailed below to challenge management's key assumptions in relation to the forecast capital cost, timing of completion and forecast operating cost.

We compared future cost and timing estimates, including TMF de-conversion costs, against internal project data and, where possible, external support. We tested the key assumptions through challenge of technical and operational personnel and a review of key management reports.

We have understood the rationale for, and reviewed the calculation of the relevant updates made to the TMF de-conversion cost model in 2019, we have agreed the underlying information to third party support where relevant.

The volume of tails to be de-converted was corroborated by operational and financial reports. For the high assay tails disposal contract, we reviewed the underlying contractual terms and challenged the accounting adopted by management against the relevant accounting standards

We assessed and benchmarked the reasonableness of discount and inflation macroeconomic assumption rates adopted to external market data and relevant industry peers.

#### **Key observations**

Whilst noting the remaining key risks and uncertainties in completing the TMF commissioning and starting operations, we concluded that the key cost and operational assumptions were appropriately risk adjusted.

## Revenue and feed profit recognition

#### Key audit matter description

The Group has recognised total revenue of €1,805 million in the year ended 31 December 2019 (31 December 2018: €1,958 million). Given the complex nature of the Group's sales contracts and contractual delivery terms, management judgement is required in applying the Group's revenue recognition policies to enrichment services, and uranium feed and natural uranium sale transactions.

The key management judgements include:

- As each individual delivery is considered a separate performance obligation, the assessment of the amount of the overall value of a long term enrichment contract that should be allocated to each of the individual deliveries based on management's assessment of the standalone selling prices of those deliverables;
- For enrichment sales, management judgement was required in concluding that when Urenco performs enrichment activity, this is not enhancing an asset that is controlled by any specific customer, and therefore revenues should be recognised at a point in time not over a period of time;
- The assessment of the amount and timing of revenue to be recognised in respect of variable consideration and options in Urenco's sales contracts;
- The assessment of modifications to enrichment contracts and whether treatment as a separate contract is required; and
- The amount and timing of gains and losses recognised from commodity contracts held at fair value. Given the degree of judgement
  involved in revenue recognition, we also determined that there was a potential for fraud through possible manipulation of this balance.

This key audit matter is included as a significant issue related to the consolidated financial statements within the Audit Committee report on pages 51 and 52, and is a critical accounting judgement within note 2 to the consolidated financial statements. The Group's policy on revenue recognition is set out in note 2 of the consolidated financial statements and further details are included within the Revenue note 3 of the consolidated financial statements.

### How the scope of our audit responded to the key audit matter

We obtained an understanding of relevant controls over both the revenue and commodity contract business cycles. We further performed testing on the relevant revenue controls.

We have reviewed the Group's revenue recognition policy for all sales types for compliance with IFRS 15 Revenue from Contracts with Customers, including the policies in respect of variable consideration and options within contracts.

We have reviewed and challenged the standalone selling price range determined by management at the start of the year, through review of management's forecasting process and comparison to recently signed contracts. We have recalculated the extent of any revenue accruals or deferrals calculated.

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## **Independent Auditor's Report** continued

We obtained signed contract amendments entered into during the year and reviewed the accounting treatment for these for compliance with IFRS 15.

We challenged the timing and value of revenue recognised through analytical reviews, agreement to executed contracts, signed delivery documentation and consideration received.

For revenue recognised in the period shortly before and after 31 December 2019, we agreed sales to physical delivery notifications confirming transfer of uranic material to the customer, and traced payments to bank statements.

For bill and hold transactions, where revenue has been recognised and uranic material continues to be held at Urenco enrichment sites, we reviewed customer requests and confirmations of legal title, in order to evidence whether irreversible sales of separately identified material had taken place.

For commodity contracts held at fair value, we have challenged the completeness and accuracy through our assessment of management's relevant processes and controls and verification to the underlying enacted contracts and deliveries. We have recalculated the fair value gains and losses using the third party independent forward pricing and have reviewed and challenged the relevant risk adjustments by reference to third party evidence.

#### **Key observations**

We are satisfied that the Group's revenue recognition policy was appropriately applied.

## Enrichment site decommissioning provisioning

#### Key audit matter description

Decommissioning activity involves the deconstruction, decontamination and disposal of the centrifuges and related pipework. As at 31 December 2019, the provision was €713 million (31 December 2018: €612 million).

The cost and timing of decommissioning activities are key estimates, driven by useful economic lives of the enrichment plants as well as the local regulatory requirements, disposal methods employed and Group strategy for decommissioning activities.

The other key management estimate is the macroeconomic assumptions (inflation and discount rates) used to record the provision at its present value.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 51, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements. Further details on the site decommissioning provision are also provided in note 30 to the consolidated financial statements. The cost and timing of Urenco's long term nuclear activities are subject to external factors that Urenco can influence but not control, for example, government policy for long term disposal costs.

## How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the site decommissioning provisioning processes at each component as well as the Group-wide controls.

In assessing the decommissioning provision, we:

- have understood the rationale for the key updates made in the 2019 provision;
- performed a risk assessment to determine the principal underlying cost and strategic drivers;
- reviewed and challenged the key assumptions and critical estimates made in determining the timing of cash flows with senior operational and technical staff and determined the consistency of these assumptions with those used in forecasts and the wider Group strategy;
- assessed the competence, capability and objectivity of management's internal experts;
- challenged the cost assumptions made, comparing them against underlying support; and
- assessed and benchmarked the reasonableness of discount and inflation macro-economic assumption rates adopted to external market data and relevant industry peers.

#### **Key observations**

Whilst noting the inherent key risks and uncertainties in estimating the costs of future nuclear decommissioning activities, we concluded that the key cost and operational assumptions were appropriately risk adjusted.

## **Independent Auditor's Report** continued

# Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

# Group materiality and Parent Company materiality

Group materiality was determined to be €25.0 million (2018: €25.0 million). Materiality for the Parent Company financial statements was determined to be €15.6 million (2018: €16.3 million).

## Basis for determining materiality

Approximately 3% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities (2018: approximately 4% of profit before tax excluding foreign exchange gains and losses on financing activities) for the Group.

Approximately 5% of profit before tax (2018: approximately 4% of profit before tax excluding foreign exchange gains and losses on financing activities) for the Parent Company.

# Rationale for the benchmark applied

We have determined that profit before tax excluding exceptional items provides us with a consistent year on year basis for determining materiality and is the most relevant key performance measure to the stakeholders of the Group. Profit before tax is adjusted to exclude exceptional items which would, if included, distort materiality for the year. We considered this measure to be suitable having also compared to another benchmark; our materiality is below 2% of equity (2018: below 2%) for both the Group and the Parent Company.

#### **Performance materiality**

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- a. the quality of the control environment we were able to take controls reliance on the revenue cycle and on general IT controls as planned; and
- b. the higher risk nature of the industry.

#### **Error reporting threshold**

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1,250,000 (2018: €1,250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

We also agreed with the Audit Committee that we would report to the Committee the aggregate of audit differences in excess of €250,000 which arose from factual misstatement.

# An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The component materiality was €14.5 million (2018: €10.0 million to €16.3 million).

Additionally, we performed full scope audits on the four enrichment site operating entities, Urenco UK Limited, Urenco Deutschland GmbH, Urenco Nederland B.V. and Louisiana Energy Services, LLC, as they represent the Group's principal business units. The last three of which were performed by our component auditors in Germany, the Netherlands and USA respectively. We issued the component instructions on the audit strategy, the scope of their work, component materiality and other key information they should be aware of, as well as the requirements of their reporting to us. We held meetings and telephone calls throughout the audit, in order to direct and supervise their work.

We performed full scope audits on the entity constructing the TMF (Urenco ChemPlants Limited), the UK uranium handling services entity (Urenco Nuclear Stewardship Limited) and the UK head office entities, which are significant to the Group. Our full scope audit procedures cover net assets (2019: 99%, (2018: 99%) of Group total), revenue (2019: 99%, (2018: 99%) of Group total) and profit before tax (2019: 98%, (2018: 98%) of Group total).

#### Financial statements

### **Independent Auditor's Report** continued

### Our consideration of the control environment

We performed testing of the general IT controls in respect of the SAP system, which is the general ledger used at each component, with the purpose of placing controls reliance over these controls. The results of this testing allowed us to take a controls reliant approach to this system.

We planned and were able to place controls reliance over the revenue cycle and tested operating effectiveness of relevant controls.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

# Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

# Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

# **Independent Auditor's Report** continued

# Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

# Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### **Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

# Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Christopher Thomas** (Senior Statutory Auditor) for and on behalf of Deloitte LLP Statutory Auditor

London, United Kingdom

11 March 2020

Strategic report Governance

# **Financial statements**

# **CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2019

		2019	2019	2019	2018
	Notes	Result for the year (post-exceptional items) €m	Exceptional items in year €m	Result for the year (pre-exceptional items) €m	Result for the year €m
Revenue	3	1,804.5	-	1,804.5	1,957.7
Changes to inventories of work in progress,		/F.F\		(F.F.)	(1.46.5)
finished goods and SWU assets  Raw costs of materials and consumables used		(5.5) (13.0)	<u>-</u>	(5.5) (13.0)	(146.5) (14.5)
	5	` '	(142.0)	` '	(14.5)
Net costs of nuclear provisions		(297.7)	(143.0)		
Employee costs	7	(168.4)	<del>-</del>	(168.4)	(160.3)
Depreciation and amortisation	5	(356.2)	(=00.0)	(356.2)	(329.2)
Impairment of USA operations	6	(500.0)	(500.0)		-
Restructuring provision release	6	2.9		2.9	2.3
Other expenses	5	(264.8)	<b>-</b>	(264.8)	(311.7)
Share of results of joint venture	16	5.4	-	5.4	2.8
Income/(loss) from operating activities	5	207.2	(643.0)	850.2	826.5
Finance income	8	74.3		74.3	68.7
Finance costs	9	(181.4)	-	(181.4)	(174.7)
Income/(loss) before tax		100.1	(643.0)	743.1	720.5
Income tax (expense)/credit	10	(92.5)	85.8	(178.3)	(209.2)
Net income/(loss) for the year attributable to the	10	(92.3)	65.6	(176.5)	(203.2)
owners of the Company		7.6	(557.2)	564.8	511.3
Earnings per share		€	€	€	€
Basic earnings per share	12	0.1	(3.3)	3.4	3.0

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2019

		2019	2018 Restated <sup>(i)</sup>
	Notes	€m	Restated™ €m
Net income for the year attributable to the owners of the Company		7.6	511.3
Other comprehensive income/(loss):			
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges – transfers to revenue <sup>(i)</sup>	26	40.2	44.9
Cash flow hedges – mark to market losses <sup>®</sup>	26	(23.6)	(98.1)
Movements on cost of hedging reserve	26	(15.6)	(14.0)
Deferred tax (expense)/income on financial instruments <sup>(i)</sup>	10	(2.8)	20.1
Current tax (expense)/income on financial instruments <sup>(i)</sup>	10	(5.8)	41.5
Exchange differences on hedge reserves	26	(12.2)	3.6
Total movements to hedging reserve®		(19.8)	(2.0)
Exchange differences on foreign currency translation of foreign operations		48.3	126.7
Net investment hedge – mark to market gains <sup>®</sup>		39.7	(75.7)
Deferred tax income/(expense) on financial instruments <sup>(1)</sup>		2.5	(1.4)
Current tax income/(expense) on financial instruments <sup>(i)</sup>		5.2	(14.9)
Share of joint venture exchange differences on foreign currency translation of foreign operations		0.1	(0.4)
Total movements to foreign currency translation reserve		95.8	34.3
Items that will not be reclassified subsequently to the income statement			
Actuarial (losses)/gains on defined benefit pension schemes	31	(16.9)	51.1
Deferred tax income/(expense) on actuarial (losses)/gains	10	1.8	(8.9)
Current tax income on actuarial losses	10	1.3	(0.5)
Share of joint venture actuarial (losses)/gains on defined benefit pension schemes	10	(3.8)	8.2
Exchange differences		-	0.9
Total movements to retained earnings		(17.6)	51.3
Other comprehensive income		58.4	83.6
Total comprehensive income for the year attributable to the owners of the Company		66.0	594.9

<sup>(</sup>i) To appropriately present the accumulation of gains/losses of hedging instruments in net investment hedges and the related deferred tax and current tax in the foreign currency translation reserve under IFRS 9 Financial Instruments, the mark to market gains and losses and related deferred tax and current tax of €363.0 million in respect of net investment hedges for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition, hedging reserves have been restated for the year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Further details of both are shown in note 26.

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

For the year ended 31 December 2019

	Notes	31 December 2019	31 December 2018 Restated <sup>®</sup>	1 January 2018 Restated <sup>(i)</sup>
Assets	Notes	€m	€m	€m
Non-current assets				
Property, plant and equipment, including right-of-use assets	13	4,570.8	4,961.9	4,900.5
Investment property	14	6.5	6.1	6.8
Intangible assets	15	24.5	34.6	44.4
Investments including joint venture	16	21.2	18.9	7.5
Restricted cash	18	3.5	4.3	7.5
Derivative financial instruments	29	145.3	197.9	284.7
Deferred tax assets	10	183.1	166.1	207.2
Contract assets	21	5.2	100.1	207.2
COITIACT assets	21	4,960.1	5,389.8	- 5,458.7
Current assets		,	.,	.,
Inventories	19	128.8	135.0	213.5
SWU assets	20	289.5	241.9	332.4
Contract assets	21	11.1	-	_
Trade and other receivables	22	263.2	218.8	234.3
Derivative financial instruments	29	7.1	14.3	22.0
Income tax recoverable		89.0	44.6	77.8
Short term bank deposits	23	464.1	-	
Cash and cash equivalents	24	323.2	531.2	59.1
		1,576.0	1,185.8	939.1
Total assets		6,536.1	6,575.6	6,397.8
Equity attributable to the owners of the Company				
Equity attributable to the owners of the Company Share capital	25	237.3	237.3	
Share capital Additional paid in capital	25 25	16.3	16.3	16.3
Share capital Additional paid in capital Retained earnings	25	16.3 1,310.0	16.3 1,620.0	16.3 1,356.8
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup>	25 26	16.3 1,310.0 18.7	16.3 1,620.0 38.5	16.3 1,356.8 40.5
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup>	25	16.3 1,310.0 18.7 303.5	16.3 1,620.0 38.5 207.7	16.3 1,356.8 40.5 173.4
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity	25 26	16.3 1,310.0 18.7	16.3 1,620.0 38.5	16.3 1,356.8 40.5 173.4
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity Non-current liabilities	25 26 26	16.3 1,310.0 18.7 303.5	16.3 1,620.0 38.5 207.7 2,119.8	16.3 1,356.8 40.5 173.4
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>(1)</sup> Foreign currency translation - restated <sup>(2)</sup> Total equity Non-current liabilities Trade and other payables	25 26 26 32	16.3 1,310.0 18.7 303.5 1,885.8	16.3 1,620.0 38.5 207.7 2,119.8	16.3 1,356.8 40.5 173.4 1,824.3
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings	25 26 26 32 29	16.3 1,310.0 18.7 303.5 1,885.8	16.3 1,620.0 38.5 207.7 2,119.8	16.3 1,356.8 40.5 173.4 1,824.3
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities	25 26 26 32 29 28	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions	25 26 26 32 29 28 30	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated®  Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities	25 26 26 32 29 28 30 27	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1 - 1,769.0 50.1	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated®  Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments	25 26 26 32 29 28 30 27 29	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1 - 1,769.0 50.1 158.1	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated®  Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities	25 26 26 32 29 28 30 27 29	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1 - 1,769.0 50.1 158.1 97.7	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated®  Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments	25 26 26 32 29 28 30 27 29	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0	237.3 16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated®  Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities	25 26 26 32 29 28 30 27 29	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1 - 1,769.0 50.1 158.1 97.7	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations	25 26 26 32 29 28 30 27 29	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2	16.3 1,620.0 38.5 207.7 2,119.8 41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities	25 26 26 32 29 28 30 27 29 10	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables	25 26 26 32 29 28 30 27 29 10	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables Interest bearing loans and borrowings	25 26 26 32 29 28 30 27 29 10 31	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4 436.6 275.0
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables Interest bearing loans and borrowings	25 26 26 32 29 28 30 27 29 10 31	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6 - 250.6 - 2.4	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4  255.4	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4 436.6 275.0
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions	25 26 26 32 29 28 30 27 29 10 31	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6 - 250.6 - 2.4 9.2	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4  255.4 - 7.5	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4 436.6 275.0 - 15.3
Share capital Additional paid in capital Retained earnings Hedging reserves - restated® Foreign currency translation - restated® Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables Interest bearing loans and borrowings  Current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities	25 26 26 32 29 28 30 27 29 10 31	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6 - 250.6 - 2.4 9.2 59.6	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4  255.4 - 7.5 62.1	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4 436.6 275.0 - 15.3 1.6 52.6
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Provisions Contract liabilities	25 26 26 32 29 28 30 27 29 10 31	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6 - 250.6 - 2.4 9.2 59.6 36.1	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4  255.4 - 7.5 62.1 33.8	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7 97.3 3,728.4 436.6 275.0 - 15.3 1.6 52.6 64.0
Share capital Additional paid in capital Retained earnings Hedging reserves - restated <sup>®</sup> Foreign currency translation - restated <sup>®</sup> Total equity Non-current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Derivative financial instruments Deferred tax liabilities Retirement benefit obligations  Current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Current liabilities Trade and other payables Interest bearing loans and borrowings Lease liabilities Provisions Contract liabilities Provisions Contract liabilities	25 26 26 32 29 28 30 27 29 10 31	16.3 1,310.0 18.7 303.5 1,885.8 - 1,693.4 19.6 2,177.8 53.5 142.7 99.4 65.2 4,251.6 - 250.6 - 2.4 9.2 59.6 36.1 40.8	16.3 1,620.0 38.5 207.7 2,119.8  41.4 1,902.1 - 1,769.0 50.1 158.1 97.7 46.0 4,064.4  255.4 - 7.5 62.1 33.8 32.6	16.3 1,356.8 40.5 173.4 1,824.3 - 1,888.8 - 1,499.3 28.2 120.1 94.7

<sup>(</sup>i) The amounts in the hedging reserve in respect of the net investment hedges as at 1 January 2018 and for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition hedging reserves have been restated for the year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Total equity as at 1 January 2018 and 31 December 2018 remains unchanged. Further details of both are shown in note 26.

Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020.

They were signed on its behalf by:



Ralf ter Haar

**Chief Financial Officer** 

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

	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 31 December 2018	237.3	16.3	1,620.0	38.5	207.7	2,119.8
Income for the year	-	-	7.6	-	-	7.6
Other comprehensive income/(loss)	-	-	(17.6)	(19.8)	95.8	58.4
Total comprehensive income/(loss)	-	-	(10.0)	(19.8)	95.8	66.0
Equity dividends paid (see note 11)	-	-	(300.0)	-	-	(300.0)
As at 31 December 2019	237.3	16.3	1,310.0	18.7	303.5	1,885.8

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves Restated <sup>®</sup> €m	Foreign currency translation reserve Restated <sup>®</sup> €m	Attributable to the owners of the Company €m
As at 31 December 2017	237.3	16.3	1,356.8	(322.5)	536.4	1,824.3
Adjustment for IFRS 9 transition	-	-	0.6	363.0	(363.0)	0.6
Revised as at 1 January 2018	237.3	16.3	1,357.4	40.5	173.4	1,824.9
Income for the year	-	-	511.3	-	-	511.3
Other comprehensive income/(loss)	-	-	51.3	(2.0)	34.3	83.6
Total comprehensive income/(loss)	-	-	562.6	(2.0)	34.3	594.9
Equity dividends paid (see note 11)	-	-	(300.0)	-	-	(300.0)
As at 31 December 2018	237.3	16.3	1,620.0	38.5	207.7	2,119.8

<sup>(</sup>i) To appropriately present the accumulation of gains/losses of hedging instruments in net investment hedges and the related deferred tax and current tax in the foreign currency translation reserve under IFRS 9 Financial Instruments, the mark to market gains and losses and related deferred tax and current tax of €363.0 million in respect of net investment hedges for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition, hedging reserves have been re-presented for the year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Further details of both are shown in note 26.

# **CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2019

		2019	2018
	Notes	€m	€m
Income before tax		100.1	720.5
Adjustments to reconcile Group income before tax to net cash flows from operating activities:			
Share of joint venture results	16	(5.4)	(2.8)
Depreciation and amortisation	5	356.2	329.2
Exceptional items	6	643.0	-
Finance income	8	(74.3)	(68.7)
Finance costs	9	181.4	174.7
Loss on disposal/write offs of property, plant and equipment		1.2	0.4
Increase in provisions		86.1	140.5
Operating cash flows before movements in working capital		1,288.3	1,293.8
(Increase)/decrease in inventories		(6.4)	64.0
(Increase)/decrease in SWU assets		(63.3)	93.4
(Increase)/decrease in receivables and other debtors		(39.9)	11.7
Decrease in payables and other creditors		(84.4)	(61.9)
Cash generated from operating activities		1,094.3	1,401.0
Income taxes paid		(141.5)	(119.3)
Net cash flow from operating activities		952.8	1,281.7
Investing activities			
Interest received		47.9	59.8
Purchases of property, plant and equipment		(142.1)	(183.0)
Purchases of intangible assets		(3.1)	-
Increase in investment		(0.1)	(0.1)
Net cash flow from investing activities		(97.4)	(123.3)
Financing activities			
Interest paid		(124.9)	(130.3)
Proceeds in respect of settlement of debt hedges		4.6	26.1
Dividends paid to equity holders	11	(300.0)	(300.0)
Proceeds from new borrowings		-	455.2
Placement of short-term deposits		(464.1)	-
Repayment of borrowings		(215.6)	(732.8)
Repayment of lease liabilities		(1.8)	-
Net cash flow from financing activities		(1,101.8)	(681.8)
Net (decrease)/increase in cash and cash equivalents		(246.4)	476.6
Cash and cash equivalents at 1 January		531.2	59.1
Effect of foreign exchange rate changes		38.4	(4.5)
Cash and cash equivalents at 31 December	24	323.2	531.2

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### For the year ended 31 December 2019

#### 1. General information

Urenco Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England, the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate controlling party of the Group. The address of the Company's registered office is given on page 42. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the Strategic Report on pages 2 to 41.

# 2. Significant accounting policies

# Basis of preparation and presentation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulations, and as applied in accordance with the provisions of the Companies Act 2006.

The Group financial statements have been prepared under the historical cost basis, except for those financial instruments and pension obligations that have been measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Group financial statements are presented in euros because the euro is the currency of the primary economic environment in which the Group operates. The Group consists of entities that have functional currencies of US dollar, sterling and euros. The Parent Company's functional currency is sterling because that is the currency of the primary economic environment in which the Parent Company operates. Foreign operations are included in accordance with the policies set out within this note.

The Group financial statements values are rounded to the nearest €0.1 million except where otherwise indicated.

## Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

# Adoption of new and revised accounting standards

# Amendments to accounting standards that are mandatorily effective for the current year

The accounting policies adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except as follows:

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

International Accounting Standards (IFRS/IAS)	IASB Effective Date  – periods commencing on or after	EU-endorsed Effective Date – periods commencing on or after
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 28: Long term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

#### Financial statements

#### **Notes to the Consolidated Financial Statements** continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

### IFRS 16 Leases (issued on 13 January 2016)

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described below. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- · does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

The Group has not restated comparative information. No additional arrangements have been identified which fall within the definition of a lease under IFRS 16.

The main impact of IFRS 16 is that the accounting by lessees for leases previously classified as operating leases under IAS 17 will result in the recognition in the statement of financial position of a right-of-use asset and a related liability for future lease payments at commencement of all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance costs representing the unwinding of the discount on the lease liability.

The Group has elected not to recognise leases on the statement of financial position for leases with terms of 12 months or less or where the underlying asset is of low value. For these leases the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. These are presented in other expenses in the consolidated income statement.

Additionally, on the transition date the Group has elected two practical expedients, to apply a single discount rate to the leases with reasonably similar characteristics in terms of remaining lease term and class of underlying asset and to grandfather the Group's lease assessment under IFRIC 4.

On 1 January 2019, the Group recognised total lease liabilities of €22.4 million for leases previously classified as operating leases under IAS 17 and corresponding right-of-use assets of €22.4 million. These lease liabilities have been measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate. The Group has elected to recognise the right-of-use assets at an amount equal to the lease liabilities. On the transition date there was no impact on retained earnings. It is expected that thereafter the financial impact on the income statement will not be material.

The weighted average incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position at the date of initial application was 5.1%.

The nominal value of the operating lease commitments at 31 December 2018 applying IAS 17 was €89.3 million. The present value of this amount, discounted using the incremental borrowing rate at the date of initial application of IFRS 16 was €22.4 million, reflecting the long term tenure of the Group's principal lease arrangement.

The Group has presented the right-of-use assets within Property, Plant and Equipment, with each item included within the same asset category within which the corresponding underlying assets would be presented if they were owned. The carrying value of the right-of-use assets at 31 December 2019 was €21.8 million. The lease liabilities at 31 December 2019 were €22.0 million and they are presented separately from other liabilities, within non-current liabilities (€19.6 million) and current liabilities (€2.4 million).

The total expense recognised in the income statement for the year was €3.0 million, comprised of depreciation on the right-of-use assets of €1.9 million and finance costs of €1.1 million relating to the unwinding of the discount on the lease liabilities. In the cash flow statement, the Group has classified the repayments of the principal portion (€1.8 million) on a separate line and the interest portion (€1.1 million) of the lease liabilities in 'interest paid' within "Net cash flow from financing activities".

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

### For the year ended 31 December 2019

# 2. Significant accounting policies continued

# New and revised accounting standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed Effective Date – periods commencing on or after
Standards		
IFRS 17 Insurance Contracts (issued on 18 May 2017)	1 January 2021	Not yet endorsed
Amendments		
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
Amendment to IFRS 3 Business Combinations (issued on 22 October 2018)	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020	Not yet endorsed
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on 26 September 2019)	1 January 2020	15 January 2020

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

# Basis of consolidation

The Group consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The financial statements also incorporate the Company's share of the results of its joint venture using the equity method made up to 31 December each year. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries continue to be consolidated until the date such control ceases to exist.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. If a subsidiary ceases to be controlled, other than by sale or exchange of shares, no income or loss will be recognised in the consolidated income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group. The financial statements of subsidiaries and joint ventures are prepared for the same reporting year as the Parent Company.

All intra-group transactions, balances, income and expense are eliminated on consolidation.

# Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described within this note, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Financial statements

#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

# Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### • Enrichment cash generating unit carrying values - determination of cash generating units (CGUs)

Enrichment CGUs are reviewed for impairment at period ends whenever events or circumstances indicate that the carrying value may not be fully recoverable.

Urenco has two key CGUs, its European operations and its US operations. Management has re-assessed that each of these CGUs are comprised of the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The European operations include the enrichment sites in Germany, The Netherlands and the United Kingdom and the TMF which is also based in the United Kingdom. The European enrichment sites are included in this CGU because together they are the Urenco counterparty for the majority of enrichment sales contracts. Additionally, the TMF is included because the cash inflows from their deconversion services are inextricably linked to the cash flows of the European enrichment business, because they are their key customers. The US operations include the enrichment site in the USA. During this assessment it was concluded that a possible merger of the European and US operations into one CGU would not be justified mainly because for the majority of enrichment sales contracts there are separate sales contracts for the European operations and for the US operations.

#### Timing of SWU revenue recognition

SWU revenue is recognised at a point in time, not over a period of time. Judgement is required in reaching this conclusion, including an assessment as to whether Urenco is enhancing any specific customer's asset as described in IFRS 15. Management has assessed that enrichment activity does not meet the definition of enhancing a customer's asset and that therefore control of SWU passes to the customer at a point in time on delivery. This is supported by the facts that the customer continues to have legal title to the uranium and retains the associated residual risks and rewards of ownership until the point control of SWU transfers to the customer. Further, as uranium is fungible the customer of any enrichment activity can only be identified just prior to the point of time that control of SWU transfers to the customer.

Management has applied judgement in concluding that each SWU delivery under an enrichment contract is a separate performance obligation and therefore each contract is a series of performance obligations rather than a single overall service. The overall transaction price under an enrichment contract is allocated to each discrete SWU delivery in accordance with the relative stand-alone selling price. Any amount invoiced to the customer in excess of the revenue recognised is recorded as a contract liability and any amount invoiced to the customer below the revenue recognised is recorded as a contract asset. Over the life of an enrichment contract the total revenue recognised will equal the overall transaction price, it is only the timing of revenue recognition that may be deferred or accrued.

Judgement is required when enrichment contracts are modified, to assess whether or not treatment as a separate contract is necessary. If the contract modification results in an addition of promised SWU deliveries and an increase of the transaction price by an amount that reflects the stand-alone selling prices of the additional SWU deliveries, then this is treated as a separate contract. Otherwise the remaining deliveries under the existing contract and the additional deliveries under the new contract are combined and the allocation of the revenue under this combined contract is determined based on the relative stand-alone selling price applicable at the date of contract modification. Assessing whether the change in contract meets these criteria requires significant judgement, particularly where the changes will affect deliveries not yet performed under the original contract.

#### · Determination of stand alone selling price

The stand-alone selling price is the price at which the Group would sell a promised good or service to a customer. Management judge that this price varies over time and therefore separate deliveries will have different stand-alone selling prices at the contract inception. Due to the absence of a liquid market for sales of enrichment services or uranium related goods, there is no observable price available when the Group sells such services or goods. Hence judgement is required to determine the appropriate method to calculate the stand-alone selling prices over time for each type of performance obligation. Management assessed that the most appropriate method to determine this stand-alone selling price is an adjusted market assessment approach, whereby management evaluates the enrichment market and estimates a narrow range of prices for each point in time that a customer in that market would be willing to pay, supported by information on observable inputs and including previous contract prices. The array of stand-alone selling prices, including their range, for each type of performance obligation over time, is reviewed on a periodic basis for application to new contracts or contract modifications.

## Classification of contracts

The vast majority of the Group's agreements are classified as "own use" as they are entered into in accordance with the Group's expected purchase, sale or usage requirements, and are not marked to market. Commodity contracts measured at marked to market fair value are agreements to buy or sell uranium or conversion services which are in the scope at IFRS 9. These agreements are designated as commodity contracts at inception where the Group has identified a potential intent to net settle these arrangements. Details about commodity contracts are provided in notes 3 and 28.

### For the year ended 31 December 2019

# 2. Significant accounting policies continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

# • Enrichment cash generating unit carrying values - indicators of impairment or reversal of impairment

Where impairment indicators have been identified, management has assessed the recoverable amount of assets based on value in use, using discounted cash flow models.

The value in use calculations of the CGU of the US operations are based on long-term cash flow projections which utilise the most recent Group's ten year business plan in the short term and post business plan management forecasts covering the period to 2060, together with relevant sensitivity analysis for key assumptions and variables. The period to 2060 is deemed appropriate as it captures a full cycle of sustaining capital investment, the cash settlement of legacy tails disposal obligations and is commensurate with the long dated cycles of enrichment business planning.

The key accounting assumptions inherent within the value in use calculations are: estimations of future market dynamics (including forecast global nuclear generating capacity over time and the resulting demand for EUP) and associated market pricing projections and the 8.0% pre-tax nominal discount rate used. Further details on these key assumptions and sensitivity analysis are provided in note 6. Other assumptions include the enrichment capacity of the US operations, the extension of the USA operating licence beyond 2040 which management expect to receive in the ordinary course of business, ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating and nuclear tails waste disposal costs and US Government policy.

Where appropriate external data has been used to support the key assumptions. Assumptions for demand and pricing of enrichment services are based on a comprehensive internal market analysis of future market conditions, in conjunction with external modelling, with reference to external forecast data about market pricing and sales volume projections. The 2019 discount rate was prepared using the Capital Asset Pricing Model (CAPM) and other relevant market data, and was validated by an independent external investment bank.

An impairment test on the CGU of its US operations as at 31 December 2019 has been completed which showed that the carrying value of its assets exceeded the recoverable amount of €1,573.0 million for the USA operations, resulting in a pre-tax impairment charge of €500.0 million (€446.0 million post tax).

For 2019, the Directors concluded that there was no indicator of impairment for the European CGU and accordingly no impairment test has been carried out. The downward revision in SWU prices for future uncontracted enrichment capacity was not considered an impairment indicator due to adequate headroom in its enterprise value and a relatively lower carrying value for the majority of their assets. This lower carrying value represents the impact of higher cumulative depreciation reflecting that most European assets are older than the US assets.

There is continued inherent risk, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated Urenco SWU market pricing forecasts could further decrease or alternatively could increase in future. Any significant change could result in a new impairment indicator or reversal indicator, potentially leading to a change in the recoverable amount of the CGU of the US operations and an impairment charge or reversal respectively. Details of the carrying value of enrichment assets are given in notes 13 and 15.

# Deferred tax asset valuations

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that suitable taxable income will be available against which the deductible temporary differences can be utilised. Significant management judgements are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future suitable taxable profits. For 2019 these included estimates of the impact that the underlying assumptions used to calculate the impairment on the US operations will have on future suitable taxable profits and resulting deferred tax assets. Further details of deferred tax assets and the relevant sensitivity are given in note 10.

# • Tails provisions and decommissioning provisions

Provisions for tails disposal and for decommissioning of plant and machinery are made on a discounted basis to meet long-term liabilities. The discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity and final capital investment costs involved in successfully achieving safe disposal or decommissioning as well as third party pricing assumptions where available/applicable and the internal cost of deconversion services using TMF. The timing of significant capital projects can change by a number of years, which can significantly change the quantum of the related decommissioning provisions. The availability and cost of a repository suitable for the final disposal of depleted  $U_3O_8$  are also key judgements and the level of uncertainty varies widely across the four countries in which Urenco operates. The Group closely monitors potential regulatory developments and no changes are envisaged, although this remains a long term risk as set out on page 30. The key estimates are the TMF deconversion rate, the US tails rate, the discount rate, inflation rate and timing of cash flows, for which sensitivity analysis is provided in note 30.

Strategic report Governance

#### Financial statements

#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

Key sources of estimation uncertainty continued

## Tails provisions and decommissioning provisions continued

The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date. Consequently, a movement in the rate or quantity of tails held would result in a movement in the provision, excluding any changes due to translation of non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'greenfield' or 'brownfield' status. Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. Where the related asset is fully written down to residual value and the provision has decreased, a gain will be taken directly to the income statement.

The cash flows have been inflated at rates varying from 1.5% to 2.0% (2018: 2.0%) per annum and discounted at rates varying from 3.0% to 4.0% (2018: 4%), to take account of the time value of money. In the current year, changes in these rates have been recognised as exceptional items as discussed further in note 6. The difference in the inflation and discount rates is associated with the country in which the cash flows are expected to be paid or received. The fundamental assumptions underlying these provisions are reviewed on an annual basis. In addition, decommissioning provisions are subject to a detailed triennial review. The last triennial review was carried out in 2018 and the next one is planned for 2021. Details of the provisions and sensitivities, in relation to the quantum and timing of cash flows, as well as the net discount rate, are given in note 30.

#### Actuarial assumptions for defined benefit pensions

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about life expectancies, discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The key assumptions are considered to be the discount rate and the inflation rate. Details of all these assumptions, relevant sensitivity analysis for the key assumptions and the Group pension liability are given in note 31.

### Assessment of fair value

The assessment of fair value is principally used in accounting for impairment testing and the valuation of certain financial assets and liabilities (as discussed further in note 29). The fair value of an asset or liability is the price that would be received to sell the asset, or paid to transfer a liability, in an orderly transaction between market participants. Fair value is determined based on observable market data, discounted cash flow models and other valuation techniques, contractual agreements and other assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The estimation of the fair value of identified assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results and position. Details about fair values of financial assets and financial liabilities are provided in note 29. An assessment of the sensitivities of Urenco's forward foreign exchange contracts to changes in foreign exchange rates are provided in note 28.

# Revenue recognition

The Group principally operates as a supplier of uranium enrichment services. Customers usually provide UF, to the Group as part of their contract for enrichment with Urenco. Customers are billed for the enrichment services, expressed as SWU deemed to be contained in the EUP delivered. SWU is a standard unit of measurement that represents the effort required to separate a given amount of uranium into two streams: EUP having a higher percentage of U<sub>235</sub> than natural uranium and depleted uranium having a lower percentage of U<sub>235</sub> than natural uranium. The SWU contained in EUP is calculated using an industry standard formula based on the physics of enrichment.

Revenue is recognised when the Group transfers control of a product or service to a customer. Revenue is measured based on a judgement of the comparative value of each delivery based on an allocation of the total consideration received or receivable during the life of the contract and represents amounts receivable for services and goods provided in the normal course of business, excluding VAT and other sales related taxes.

Customers may make advance payments to be applied against future orders or deliveries. Advances are accounted for as a contract liability and revenue is recognised on provision of the service or transfer of legal title to the goods.

The Group also generates revenue from the sale of Urenco owned uranium to customers. Contracts with customers are usually for the long term supply of enrichment services or uranium related goods and normal payment terms are 30 days from the invoice date. Generally, the date of invoicing is the date that control of the SWU or uranium transfers to the customer. Contracts will typically comprise elements of fixed and variable consideration, the latter of which may include, but not be limited to indexation. Contracts may also include volume flexibilities for the customer to take off additional quantities of enrichment services or uranium over and above contractual minimums.

### Sale of services

An enrichment contract usually has a series of distinct performance obligations, each one relating to the enrichment of uranium as provided by the customer. The timing of passing of control of the enriched uranium to the customer occurs at the same time when the Group acquires title to the uranium provided by the customer and the point in time when the Group acquires title to the tails generated by the associated enrichment activity. Revenue is derived from the sales of the SWU component of EUP arising from the enrichment service provided. Revenue is recognised at the point in time control of the service transfers to the customer, which is at the point the underlying SWU is transferred to the customer. This is the earlier of allocation of the enrichment activity (SWU) to the customer's book account (either held at a third party or with Urenco) or physical delivery by Urenco of the SWU component of EUP.

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued Revenue recognition continued

#### Sale of services continued

The overall contract price is determined based on the contractual terms agreed with the customer, combined with management's forecast of future customer deliveries and inflation assumptions where appropriate. If the transaction price includes variable consideration, then this amount is constrained to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that is promised in a contract may be attributable to the entire contract or to a specific delivery. The Group allocates a variable amount entirely to a single delivery if the terms of a variable payment relate specifically to the Group's efforts to satisfy that delivery and this allocation method is consistent with the objective to allocate the transaction price to each delivery in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer. In typical contracts, price indexation adjustments are allocated to the specific delivery to which they relate. The transaction price excludes any incremental amounts that become payable only if the customer chooses to exercise an option to purchase additional goods or services. Where that option includes a discount giving rise to a material right, an element of the transaction price is allocated to that material right and deferred accordingly. This overall transaction price is allocated to the discrete performance obligations based on an assessment of the standalone selling price for each performance obligation. The determination of the standalone selling price requires judgement, as explained in this note under Critical accounting judgements.

Revenue from sales of SWU is recorded at the point in time when control of the underlying SWU passes to the customer and therefore there are no contract assets relating to partially completed performance obligations. Any direct costs incurred to fulfil enrichment contracts prior to transfer of control of the SWU to the customer are capitalised and classified as SWU assets on the consolidated statement of financial position.

Where contracts are modified, an assessment is made on a contract-by-contract basis as to whether the effective price of any additional quantities is equal to the standalone selling price for those quantities. If additional quantities are assessed to be at the standalone selling price, then the additional quantities are treated as a new contract with the revenues under the existing deliveries being recognised in accordance with the pre-modified contract. If the additional quantities are assessed to be at a price which is not the standalone selling price, then this is treated as a contract modification to be applied prospectively, resulting in an allocation of revenues to the sum of remaining deliveries under the pre modified contract and additional deliveries under the modified contract that does not necessarily accord with the amounts invoiced or cash received. Any such differences will be recognised as contract assets if the amounts invoiced for deliveries are lower than revenue recognised or as contract liabilities, if the amounts invoiced are higher than revenue recognised. As set out in this note under Critical accounting judgements the treatment of a contract modification as a separate contract or not may require judgement.

Additionally, revenue is derived from the sales of services for handling uranic materials and from rental income on investment property, which is recognised over the period of time the service is provided.

## Sale of goods

Revenue is derived from the sale of uranium in the form of  $UF_6$  or  $U_3O_8$  that is owned by Urenco and occasionally from the sale of the uranium component of EUP. Revenue from the sale of goods is recognised for each delivery when the Group has transferred control of goods to the buyer. Measurement is based on a judgement of the comparative value of each delivery based on an allocation of the overall value of the contract.

This requires judgement of the stand-alone selling price (SSP) for  $UF_6$  and for  $U_3O_8$ . The standalone selling price for each type of good is determined based on observable inputs, including spot prices, estimated forward prices and management's ongoing assessments. The overall contract price for the sale of these goods is allocated to each delivery on a relative standalone selling price basis, based on the same methodology as adopted for sale of services.

# Application of the Group's revenue recognition policy

Judgement is required in determining the amount and timing of recognition of revenue for enrichment services and uranium related sales due to the complex nature of certain enrichment contracts and contractual delivery terms. See also this note under Critical accounting judgements. This is particularly relevant at period ends where a large volume of sales are made to customers, often for individually high values. This judgement includes an assessment of whether revenues are recognised in accordance with the Group's revenue recognition policy and updating of this policy for any new types of transactions. Details of revenues are given in notes 3 and 4.

#### Interest Income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Financial statements

#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

#### **Uranium commodity contracts**

Derivative instruments, which include contracts to buy or sell uranium commodities that do not meet the own use exemption from IFRS 9, are initially recognised at fair value on the statement of financial position when the Group becomes party to the contractual provisions of the instrument and are subsequently re-measured to fair value (marked to market) at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or by using models and other valuation techniques. The key inputs for which include forward market prices and contractual prices for the underlying instrument, time to expiry and the relevant credit, counterparty and performance risks.

Realised and unrealised net gains and losses on these derivative instruments are recognised in the "Net fair value gain on commodity contracts" line of revenue. In addition any uranium commodity contract inventories within the scope of IFRS 9 which arise due to timing differences between the commodity purchase and sale transactions are valued at fair value less costs to sell. Unrealised gains and losses from changes in fair value of these inventories are also reported in the "Net fair value gain on commodity contracts" line of revenue.

The policy for derecognition of uranium commodity contracts is set out under Financial instruments within this note.

# Work performed by the entity and capitalised

Directly attributable costs for project management during construction of enrichment and deconversion facilities are capitalised to the statement of financial position at cost. These costs include direct materials and labour, plus attributable overheads. It is the Group's policy to capitalise the costs of facility construction and installing capacity. It also capitalises those costs directly associated with obtaining operating licences. Any labour costs capitalised in this way are recorded as a credit within employee costs in the income statement.

# Leasing and hire purchase commitments

The Group assesses whether a contract is a lease or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability, with respect to all lease agreements in which it is the lessee, except for short term leases with a lease term of 12 months or less and leases of low value assets. For such leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment. Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. Subsequently, they are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policy for 'Property, Plant and Equipment' as set out below.

The right-of-use assets are presented within Property, Plant and Equipment, with each item included within the same asset category within which the corresponding underlying assets would be presented if they were owned.

# Foreign currencies

The individual financial statements of each group company are measured based on the currency of the primary economic environment in which it operates (its functional currency). The functional currencies across the Group are sterling, US dollar, and the euro.

Transactions in currencies other than an entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign (non-euro) operations are translated into euros (Group reporting currency) at exchange rates prevailing on the statement of financial position date. Income and expenditure items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. As most of the Group's transactions are in stable currencies, the use of average rates of exchange is appropriate. However, if exchange rates were subject to significant fluctuations, translation would be made using closing rates of exchange and with appropriate explanation. Exchange differences arising are recognised as other comprehensive income and transferred to the Group's foreign currency translation reserves in equity.

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

### Retirement benefit costs

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. Some are defined benefit schemes (three in total during the year) which, with the exception of Germany, are funded externally; and others are defined contribution schemes. No post-retirement benefits other than pensions are provided.

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in defined contribution retirement benefit schemes.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each statement of financial position date.

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income in the period in which they occur.

Past service cost is immediately recognised in the income statement to the extent that the benefits are already vested. Otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest income or expense is recognised within Finance income (see note 8) or Finance costs (see note 9).

# Interests in joint ventures

The Group has an interest in a joint venture which is a joint arrangement. The Group has accounted for the results of its Enrichment Technology Company (ETC) joint venture in accordance with IFRS 11 Joint Arrangements. The Group has recognised and measured the investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures. ETC's principal place of business is Capenhurst, United Kingdom and the holding company for the ETC group is incorporated in Capenhurst, United Kingdom.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The arrangement with ETC is a joint venture, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement rather than rights to the assets and obligations for the liabilities, relating to the arrangement.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group. The carrying value of the investment in the joint venture and the share of results of the joint venture are based on information provided by the joint venture as well as other adjustments that Urenco believe are necessary.

When the Group contributes or sells assets to the joint venture, any portion of the gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the income of the joint venture from the transaction until it uses the purchased assets to sell enrichment services to an independent party.

The carrying value of the investment in the joint venture is increased or decreased to recognise the Group's share of the net profit or net loss of the joint venture and for changes in the Group's share of the joint venture's other comprehensive income. Distributions received from the joint venture reduce the carrying amount of the investment. The Group's share of the net profit or net loss of the joint venture is recognised in the consolidated income statement. The Group's share of changes recognised in other comprehensive income of the joint venture is recognised in the consolidated statement of comprehensive income. The Group discontinues recognising its share of net assets or its share of net results from the joint venture when the value of the investment has reduced to nil. After the Group's interest is reduced to nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a positive equity, the Group resumes recognising its share of net assets, net result and other comprehensive income of the joint venture.

### **Taxation**

The tax expense represents the sum of the tax currently payable on the Group's net income for the year and attributable deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Current tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

#### Financial statements

#### **Notes to the Consolidated Financial Statements** continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also recorded within other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

# Property, plant and equipment

Plant and machinery is stated at cost less accumulated depreciation and impairment losses (if any). Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Decommissioning assets are also reported under plant and machinery and are measured at net present value of future decommissioning costs and revised for changes. Decommissioning assets are depreciated over 2 – 20 years using the straight-line method.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost less accumulated depreciation and impairment losses (if any). Freehold land is not depreciated.

Assets under construction are carried at cost including directly attributable costs, less any recognised impairment loss (if any).

Office fixtures and fittings, motor vehicles and computer equipment are stated at cost less accumulated depreciation and any recognised impairment (if any).

Depreciation is charged so as to write off the cost of assets less their residual values, other than freehold land and assets under construction, over their estimated useful lives or in the event of right-of-use assets, over the shorter of the useful life of the underlying asset and the lease term, using the straight-line method, on the following basis:

Asset Type	Property, plant and equipment	Right-of-use assets	
Buildings	12 – 40 years	2 – 99 years	
Plant and machinery	2 – 20 years	2 – 20 years	
Office fixtures and fittings	12 years	12 years	
Motor vehicles	4 years	4 years	
Computer equipment	3 – 5 years	3 – 5 years	

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

## Investment property

The Group has elected the cost model to measure investment property, whilst information about the fair value is disclosed in note 14 about investment property.

Investment property, which is property held to earn rentals, is stated at cost less accumulated depreciation and impairment losses (if any). Cost includes the purchase price and directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, excluding the costs of day-to-day servicing.

Depreciation is charged so as to write off the cost of the assets, other than the land element, over its estimated useful life of ten years, using the straight-line method.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The carrying amount of the investment property is reviewed for impairment when there is any indication that the carrying amount may not be recoverable.

# Intangible assets

# Research and development expenditure (internally generated intangible assets)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the income statement in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## Licence costs

Licences acquired are measured initially at cost. Subsequently, licence costs are amortised on a straight-line basis over their estimated useful lives.

The USA enrichment operating licence was granted in 2006. The first amortisation took place in 2010 when the USA enrichment plant started its production. The current licence term ends in 2040.

## Other software assets

Software and development costs are held at cost.

Amortisation of these costs takes place on a straight-line basis, based on a useful economic life of between three and five years, with no residual value.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

# Waiver payment

The waiver payment comprises the right for Urenco UK Limited to not have to make future royalty cash payments associated with certain plant and equipment at the Capenhurst site. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by Urenco Nuclear Stewardship Limited. Initial recognition was measured at valuation based on estimated cash flow savings for the royalty payments. Amortisation on this waiver payment takes place on a straight-line basis over the estimated useful life of 10 years.

#### Financial statements

#### **Notes to the Consolidated Financial Statements** continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

# Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

# Inventories

The majority of inventories are stated at the lower of cost and net realisable value. For raw materials, work-in-progress and finished goods, costs comprise direct material costs and, where applicable, direct labour and production costs, and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated predominantly by using the weighted average method except for spares and other equipment that are valued on a FIFO basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventories arising from commodity contracts are measured at fair value as explained in the uranium commodity contracts accounting policy above.

### SWU assets

SWU assets are the costs incurred to date in enriching  $UF_6$  to fulfil customer SWU contracts. These costs are capitalised in accordance with IFRS 15 as costs incurred to fulfil a contract with a customer. The costs are charged to the income statement at the point in time the revenue associated with these assets is recognised.

# Contract assets

Contract assets relate to balances due from customers under enrichment contracts that arise when the revenue recognised for a delivery exceeds the amount of consideration received.

# Inventory borrowings from third parties

Urenco periodically borrows SWU or uranium feed from third parties in order to optimise its operational efficiency and inventory position. During the term of the agreement Urenco recognises both an asset and liability on its statement of financial position, valued at the weighted average cost of SWU or feed, unless sales have been made from borrowings, in which case the liability is measured at market price. Any movements in the Group's weighted average cost does lead to revaluation of both asset and liability. At the end of the loan period Urenco returns the SWU or feed to the lender and Urenco has the intention to source this from its own production.

## Short term bank deposits

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

# Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash equivalents comprise on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

# Financial instruments

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when either the rights to receive cash flows from those assets have expired or when the Group transfers its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has transferred control of the asset. Financial liabilities are derecognised when the Group's obligations under the liability are discharged, or cancelled, or have expired.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognised immediately in the consolidated income statement.

### Financial assets

Financial assets are measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

#### Classification of financial assets

#### (i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all legal fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective rate to the gross carrying amount of the financial asset.

Interest income is recognised in the consolidated income statement and is included in the "finance income" line item.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated income statement to the extent they are not part of a designated hedging relationship (see hedge accounting policy under "Derivative financial instruments and hedging").

#### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since credit recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### Financial statements

#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

## Measurement and recognition of expected credit losses (ECLs)

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

#### Trade receivables

Trade receivables can carry interest in accordance with the contract conditions. Trade receivables are stated at amortised cost, less any expected credit losses.

# Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into, either at amortised cost or at FVTPL.

# Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Depreciation of these assets commences when the assets are commissioned for use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value.

After initial recognition, interest bearing loans and borrowings are subsequently remeasured at amortised cost using the effective interest method

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

# Trade payables

Trade payables are not usually interest bearing and are stated at amortised cost.

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

# Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses derivative financial instruments (foreign exchange forward contracts and cross currency interest rate swaps) to hedge these exposures. The Group does not use derivative financial instruments for trading purposes. All derivative financial instruments that are not designated in a hedge relationship, or do not qualify for hedge accounting purposes, are economic hedges for existing exposures.

Derivative financial instruments are initially recognised and subsequently remeasured at fair value. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of cross currency interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the consolidated income statement. Such gains or losses are recorded in finance income or finance costs.

Financial assets and financial liabilities are disclosed on a gross basis. Urenco has ISDA agreements (International Swaps and Derivatives Association) with some financial counterparties that give a right to net settlement under mutual agreement only. ISDA is a trade organisation of participants in the market for over-the-counter derivatives, and has created a standardised contract (the ISDA Master Agreement) governing derivative transactions. Urenco settles all financial assets and liabilities on a gross basis and intends to continue to do so.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

#### Financial statements

#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

#### Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of highly probable future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in the consolidated income statement. The ineffective portion is recorded in finance income or finance costs.

Amounts deferred in other comprehensive income are recognised in the consolidated income statement in the same period in which the hedged item affects net income or loss. These amounts are recorded in the same line of the income statement as the hedged item.

In the case of hedged forecast transactions that result in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to the consolidated income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to the consolidated income statement.

### Fair value hedges

For an effective hedge of changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged and the gains and losses are taken to income or loss; the derivative is remeasured at fair value and gains and losses are taken to income or loss. Both the change in fair value of the hedged item and the value movement of the derivative are recorded in finance costs in the income statement. These amounts are recorded in the same line of the consolidated income statement as the hedged item. At the current year end, Urenco had no such hedging arrangements in place.

#### Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity in the foreign currency translation reserve while any gains or losses relating to the ineffective portion are recognised in income and loss (in finance income or finance costs). Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to the consolidated income statement on the disposal or partial disposal of the foreign operation.

# Cost of hedging reserve

The cost of hedging reserve is a separate component of equity used to record changes in the fair value of the currency basis spread as included in the fair value of financial instruments that are in a hedge relationship and the changes in the fair value of the forward points of forward foreign exchange contracts that are hedging future revenue.

The Group designates only the spot rate of forward foreign exchange contracts in relation to hedged forecast transactions, i.e. excluding the forward points of the contracts. An exception to this relates to residual foreign exchange contracts that were entered into before the Group transitioned to IFRS9 on 1 January 2018. These transactions were designated at the forward rate and have no cost of hedge component. The currency basis spread element of cross currency swaps is likewise excluded from the hedging relationship. The initial fair value of the calculated forward points and currency basis is retained in the cost of hedge reserve. The changes in the fair value of the aligned forward points and currency basis are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the initial fair value is reclassified to the consolidated income statement when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to the consolidated income statement on a rational basis, by applying straight-line amortisation. Those reclassified amounts are recognised in the consolidated income statement in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to the consolidated income statement.

#### For the year ended 31 December 2019

# 2. Significant accounting policies continued

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle that obligation which can be reliably estimated. Where the time value of money is material, provisions are discounted to the present value of those cash flows using pre-tax discount rates. Where discounting is used, the increase in the provision due to the passage of time is recognised within finance costs.

The enrichment process generates depleted uranium ("tails"). Provisions are made for all estimated costs for the deconversion, storage and disposal of tails and cash flows are discounted to reflect the expected timing of expenditure or consumption of other economic benefits in the future. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal.

The Directors intend to decommission plant and machinery used in the enrichment process as soon as practicably possible after it has shut down. To meet these eventual decommissioning costs, provisions are recognised for all plant and equipment in operation, at a rate considered to be adequate for the purpose. Once the plant and equipment has been commissioned, the full discounted cost of decommissioning is recognised in the accounts as a provision. This is matched by capitalised decommissioning costs which are included in property, plant and equipment, under plant and machinery.

The Group's other provisions are for restructuring costs, refeeding of low assay feed and a specific counterparty provision.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for refeeding low assay feed represent the full cost to the Group of re-enriching low assay feed in the future, back to the assay of natural uranium. This includes the deconversion, storage and disposal of any resultant tails material. These provisions are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work.

# Contract liabilities

Contract liabilities relate to balances due to customers under enrichment contracts or storage service agreements for which the Group has received consideration from the customer prior to transferring control of the underlying good or service. These balances also arise when the revenue recognised for a delivery is lower than the amount of consideration received.

# 3. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Sales of goods and services	1,804.9	1,952.2
Net fair value (loss) / gain on commodity contracts	(0.4)	5.5
Total revenue	1,804.5	1,957.7

The Group hedges a portion of future cash flows arising from its net contracted US dollar and sterling exposures. The amounts disclosed above for revenue from the sale of goods and services include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a net loss of  $\leq$ 40.2 million (2018: net loss  $\leq$ 44.9 million) (see note 29). The Group is a party to various commodity contracts to sell or buy uranium, which are within the scope for IFRS 9 and are therefore held at fair value. The net fair value result on these contracts is recognised within revenue. The inventories arising from these commodity contracts, where applicable, and the fair value of these contracts are disclosed in note 29.

All revenues relating to sales of goods and services recognised during the period arose from contracts with customers.

The amount of revenue recognised during the year that was previously recorded as a contract liability was €54.7 million (2018: €1.6 million). During the year no revenue was recognised from performance obligations satisfied, or partially satisfied, in previous periods.

#### Financial statements

# Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 4. Segment information

The Urenco Group's principal activity is the provision of a service to enrich uranium to provide fuel for nuclear power utilities, by enriching uranium provided by customers.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision makers have been identified as the Executive Directors. Operating segments have been identified based on the risk and returns of the Group's major operations. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group engages in, rather than by the geographical location of these operations.

The Group's operating segments and reportable segments under IFRS 8 are therefore as follows:

- for the enrichment business: the provision of enrichment, associated services, uranium sales and commodity contracts for the nuclear power industry and the construction of the Tails Management Facility at the UK site for deconversion of depleted UF<sub>6</sub> into U<sub>3</sub>O<sub>8</sub>.
- for construction of centrifuges (being ETC): the research, development, manufacture and installation of plant and equipment for the provision of enrichment services.
- other relates to Head Office and Urenco Nuclear Stewardship Limited which provides uranium handling services at the Capenhurst facility; and Group accounting consolidation adjustments.

Segment performance is evaluated based on net income or loss which is calculated on the same basis as income or loss from operating activities in the consolidated financial statements. The accounting policies for the reportable segments are the same as the Group's accounting policies described in note 2.

Urenco also measures and discloses EBITDA, which is a non-IFRS defined financial measure, to assess the Group's overall and segment performance. EBITDA is also used by investors and analysts to evaluate the financial performance of Urenco and its peer companies.

# For the year ended 31 December 2019

# 4. Segment information continued

Segment information for these businesses, based upon the accounting policies set out in note 2, is presented below:

Year ended 31 December 2019	Enrichment business €m	ETC €m	Other <sup>(i)</sup> €m	Consolidated €m
Revenue				
External sales	1,770.2	-	34.3	1,804.5
Total external revenue	1,770.2	-	34.3	1,804.5
Result				
Income from operating activities	198.8	5.9	2.5	207.2
Finance income	9.8	-	64.5	74.3
Finance costs	(59.3)	-	(122.1)	(181.4)
Income/(loss) before tax	149.3	5.9	(55.1)	100.1
Income tax	(105.6)	-	13.1	(92.5)
Net income/(loss) for the year	43.7	5.9	(42.0)	7.6
Other information				
Total depreciation and amortisation	358.3	_	(2.1)	356.2
Less: depreciation recognised in increased inventories and SWU assets	(1.5)	-	-	(1.5)
Add: depreciation expenses within net costs of nuclear provisions	20.1	-	-	20.1
Depreciation and amortisation for EBITDA calculation	376.9	-	(2.1)	374.8
Income from operating activities (post-exceptionals)	198.8	5.9	2.5	207.2
Exceptional items	643.0	-	-	643.0
Income from operating activities (pre-exceptionals)	841.8	5.9	2.5	850.2
Depreciation and amortisation	376.9	-	(2.1)	374.8
Joint venture result	-	(5.9)	0.5	(5.4)
EBITDA <sup>(ii)</sup>	1,218.7	-	0.9	1,219.6
Control adultation of				
Capital additions:	254.0		20.2	205.2
Property, plant and equipment	254.9	-	30.3	285.2
Intangible assets	0.3	-	<u>-</u>	0.3
Contract assets	5.2	-	-	5.2
Segment assets	5,489.4	19.8	1,026.9	6,536.1
Segment liabilities	3,149.0	-	1,501.3	4,650.3

<sup>&</sup>lt;sup>(i)</sup> Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

<sup>(</sup>ii) EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results.

# **Notes to the Consolidated Financial Statements** continued

# For the year ended 31 December 2019

# 4. Segment information continued

Year ended 31 December 2018	Enrichment business €m	ETC €m	Other <sup>⊕</sup> €m	Consolidated €m
Revenue	dii	GIII	CIII	dii
External sales	1,905.0	-	52.7	1,957.7
Total external revenue	1,905.0	-	52.7	1,957.7
Result				
Income/(loss) from operating activities	825.3	3.6	(2.4)	826.5
Finance income	14.4	-	54.3	68.7
Finance costs	(54.6)	-	(120.1)	(174.7)
Income/(loss) before tax	785.1	3.6	(68.2)	720.5
Income tax	(199.4)	-	(9.8)	(209.2)
Net income/(loss) for the year	585.7	3.6	(78.0)	511.3
Other information				
Total depreciation and amortisation	331.5	-	(2.3)	329.2
Add: depreciation recognised in decreased inventories and SWU assets	45.8	-	-	45.8
Add: depreciation expenses within net costs of nuclear provisions	1.7	-	-	1.7
Depreciation and amortisation for EBITDA calculation	379.0	-	(2.3)	376.7
Income/(loss) from operating activities (post-exceptionals)	825.3	3.6	(2.4)	826.5
Exceptional items	-	-	-	-
Income from operating activities (pre-exceptionals)	825.3	3.6	(2.4)	826.5
Depreciation and amortisation	379.0	-	(2.3)	376.7
Joint venture result	-	(3.6)	0.8	(2.8)
EBITDA <sup>(ii)</sup>	1,204.3	-	(3.9)	1,200.4
Capital additions:				
Property, plant and equipment	295.4	-	3.4	298.8
Intangible assets	0.3	-	-	0.3
Segment assets	5,755.2	17.6	802.8	6,575.6
Segment liabilities	2,852.1	-	1,603.7	4,455.8

<sup>&</sup>lt;sup>(i)</sup> Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

<sup>(</sup>ii) EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results.

# For the year ended 31 December 2019

# 4. Segment information continued

# Geographical information

The Group's operations are located in the UK, Germany, the Netherlands and the USA.

The following tables present revenue by the customer location and certain asset information regarding the Group's geographical segments by location, irrespective of the origin of the goods/services and assets:

Year ended 31 December 2019	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
Total external revenue	50.8	575.7	975.3	202.7	1,804.5
Location of non-current assets					
Property, plant and equipment	2,088.2	922.3	1,560.3	-	4,570.8
Investment property	4.7	1.8	-	-	6.5
Intangible assets	4.6	7.2	12.7	-	24.5
* predominantly Asia					
Year ended 31 December 2018	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
Total external revenue	85.0	533.9	1,145.7	193.1	1,957.7
Location of non-current assets					
Property, plant and equipment	1,815.7	984.9	2,161.3	-	4,961.9
Investment property	4.6	1.5	-	-	6.1
Intangible assets	7.7	9.3	17.6	-	34.6

<sup>\*</sup> predominantly Asia

# 5. Income from operating activities

Income from operating activities before tax and net finance costs has been arrived at after charging:

	Year ended 31/12/19	Year ended 31/12/18
	€m	€m
Net costs of nuclear provisions (note 30)	297.7	174.1
Depreciation of property, plant and equipment (note 13)	346.3	321.1
Depreciation of investment property (note 14) <sup>(i)</sup>	(0.1)	0.4
Amortisation of intangible assets (note 15)	10.0	7.7
Depreciation and amortisation	356.2	329.2
Employee costs (note 7)	168.4	160.3
Energy, utilities, maintenance and ETC costs	134.6	137.7
Other operating costs <sup>(ii)</sup>	103.4	134.4
Administrative and other costs	31.7	31.1
Expense relating to short-term leases	0.4	-
Minimum lease payments under operating leases recognised as an expense for the year	-	2.8
Research and development costs	6.2	7.7
Operating foreign exchange gains <sup>(iii)</sup>	(13.0)	(2.4)
Operating foreign exchange losses <sup>(ii)</sup>	1.5	0.4
Other expenses	264.8	311.7

<sup>&</sup>lt;sup>®</sup> Depreciation of investment property for the year ended 31 December 2019 includes an impairment reversal of €0.4 million.

<sup>(</sup>ii) Includes insurance, rates, delivery costs and third party services.

<sup>(</sup>iii) Derivatives relating to financing activities that do not qualify as effective hedges are reported in Finance income and Finance cost (see notes 8 and 9).

Strategic report Governance

# Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

# 5. Income from operating activities continued

# Auditor's remuneration

An analysis of auditor's remuneration is provided below:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Audit of the financial statements	0.6	0.3
Audit of subsidiaries	0.7	0.6
Total audit fees	1.3	0.9
Non-audit services	0.2	0.1
Total fees	1.5	1.0

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Details of the Company's policy on the use of auditor's for non-audit services, the reason why the auditor was used and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 48. No services were provided pursuant to contingent fee arrangements.

### 6. Exceptional items

Exceptional items are those items of financial performance that due to their size, nature and incidence, the Group believes should be separately disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group. The appropriate classification of exceptional items involves subjective judgement by management including whether the item is truly exceptional and non-recurring. Items that are exceptional due to their nature and incidence should only be reported as exceptional per the Group's exceptional item policy when they exceed an absolute amount of at least €25.0 million on a pre-tax basis. The exceptional items recognised this year and presented in a separate column on the face of the consolidated income statement were €643.0 million (2018:nil) on a pre-tax basis and €557.2 million (2018:nil) on a post-tax basis.

# Impairment charge

The USA operations cash generating unit provides enrichment and associated services for the nuclear power industry in the USA and forms part of the enrichment business reporting segment.

Impairment testing on the USA operations was performed as at 31 December 2019, based on the methodology as set out in note 2 and using a nominal pre-tax discount rate of 8.0%.

The recoverable amount, based on the value in use, was €1,573.0 million, which was €500.0 million lower than the carrying value. Therefore a pre-tax impairment charge of €500.0 million has been recorded in the income statement for 2019.

The carrying value of the related deferred tax asset increased by a net €54.0 million through the 2019 income statement, being a combination of a gross deferred tax asset of €130.7 million and an offsetting valuation allowance of €76.7 million. This net increase reflected both the reduced accounting carrying value of the impaired USA enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Therefore a pre-tax impairment charge of €500.0 million has been recorded, which together with a net income tax credit of €54.0 million, led to a post-tax impairment charge of €446.0 million.

The impairment charge relates to property, plant and equipment and intangible assets. The gross amounts allocated to each asset category are disclosed in notes 13 and 15 respectively.

Urenco monitors the market continually and in recent years has not noted any one significant enough indicator to affect demand enough to materially impact price curves. However, during 2019 it became clear to management a number of events had resulted in additional market pressures on long term revenues and costs. These events included political and geopolitical uncertainties that could impact the US enrichment business. In addition, during 2019, the tails provisions for the US enrichment business were adversely impacted by an increase in the unit tails rates. Therefore, during 2019 the Group concluded that the cumulative impact of these events constituted an indicator of impairment for the US enrichment business. Accordingly, an impairment analysis was performed.

The value in use prepared as at 31 December 2019 assumes that SWU prices and volumes for uncontracted sales have been benchmarked against external forecast data. These assumed prices are applied to all uncontracted sales volumes which are then met from own production.

Critical assumptions used in the impairment analysis that had a significant impact on the outcome are the pre-tax discount rate and the SWU price for uncontracted sales. The table below summarises the impact on the impairment charge for either: (i) a +/- 1% change in the pre-tax discount rate; or (ii) a +/- 15% change in the SWU price for uncontracted sales. In each case, all other assumptions and variables are unchanged.

#### For the year ended 31 December 2019

# 6. Exceptional items continued

Key assumption	Sensitivity	(Increase)/decrease in Impairment charge €m
Pre-tax discount rate	Increase by 1% (to 9%)	(89.0)
	Decrease by 1% (to 7%)	103.0
SWU price	Increase by 15%	194.0
	Decrease by 15%	(325.0)

The recoverable value of the USA enrichment business remains sensitive to price and discount rate. Reasonably possible adverse or favourable changes to these assumptions based on the sensitivity analysis above, could result in further impairments or reversals of impairments respectively in future periods.

# Net costs of nuclear provisions

The Group has undertaken its annual assessment of the use of a 4.0% discount rate and the associated 2.0% inflation assumption applied in determining the current value of its nuclear liabilities across multiple jurisdictions.

In light of continued downward pressure on interest rates in Europe, management has concluded in conjunction with an investment bank, that the real discount rate of 1.96% is no longer suitable, and a material reduction is appropriate in all European jurisdictions. Management also concluded that the applicable inflation and discount rates should be calculated on a jurisdiction specific basis, resulting in real discount rates varying from 1.23% to 1.48% in the three European jurisdictions. However, the real discount rate for the US continues to be appropriate and will, therefore, remain unchanged at 1.96%.

The reduction in the real discount rate for the European jurisdictions has increased the nuclear provisions by €176.2 million, of which €111.3 million is associated with tails and €64.9 million with decommissioning. Of the €176.2 million, €143.0 million has been charged to the consolidated income statement while the remaining €33.2 million has been recognised as an increase to decommissioning assets.

This increase in the provisions resulted in a current and deferred income tax credit for a total amount of €31.8 million.

The gross amounts allocated to each type of provision and its impact on both the consolidated statement of financial position and the consolidated income statement have been disclosed in note 30.

# Restructuring provision

In 2019 an amount of  $\leq$ 2.9 million (2018:  $\leq$ 2.3 million) has been released from the restructuring provision. This has been recognised as a gain within restructuring provision release. This item has not been presented as an exceptional item because the amount is below the pre-tax materiality threshold of  $\leq$ 25.0 million.

### Financial statements

# **Notes to the Consolidated Financial Statements** continued

# For the year ended 31 December 2019

# 7. Employee costs

The average monthly number of Group employees (including Executive Directors) was:

	Year ended 31/12/19 Number	Year ended 31/12/18 Number
Technical	1,084	1,095
Commercial	39	38
Administration	377	351
	1,500	1,484
Their aggregate remuneration comprised:		
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Wages and salaries	148.5	140.5
Work performed by the Group and capitalised	(18.3)	(16.5)
Social security costs	16.9	15.3
Pension costs	21.3	21.0
	168.4	160.3
Directors' emoluments (see page 56):		
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Emoluments	3.0	3.1
Amounts receivable under long term incentive scheme	0.5	2.3
	Number	Number
Members of defined contribution schemes	3	2
In respect of the highest paid Director:		
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Emoluments including pension	1.5	3.5
8. Finance income		
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Interest on bank and other deposits	1.2	2.0
Interest rate/cross currency interest rate swaps	46.6	52.3
Gains from non-designated derivatives	-	9.0
Amortisation of gains on financial instruments	1.4	0.5
	25.1	4.9
Foreign exchange gains on financing activities	20.1	7.5

## For the year ended 31 December 2019

#### 9. Finance costs

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Interest on bank borrowings and other loans	45.2	51.4
Interest rate/cross currency interest rate swaps	73.8	78.2
Interest expense on lease liabilities	1.1	-
Unwinding of discount on provisions	69.2	58.9
Net interest expense on defined benefit pension schemes	1.0	2.2
Premium paid on bond repurchase	9.9	-
Surety bond	3.0	3.0
Charge to the income statement from non-designated derivatives	-	2.6
Expected credit losses	-	(0.1)
Foreign exchange losses on financing activities	40.6	35.0
Less: capitalised interest expense	(62.4)	(56.5)
	181.4	174.7

### 10. Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Year ended 31/12/19	Year ended 31/12/18
Consolidated income statement	€m	€m
Current tax		
UK corporation tax	(4.9)	23.6
Foreign income tax	108.6	122.3
Adjustments in respect of prior periods	6.8	1.6
Total current tax expense	110.5	147.5
Deferred tax (see Deferred income tax analysis below)		
Origination and reversal of temporary differences	(84.3)	66.0
Adjustments in respect of prior periods	(11.6)	(0.8)
Write-off of expired tax losses	-	-
Movement in unrecognised deferred tax(i)	76.7	-
Impact of change in tax rate for deferred tax	1.2	(3.5)
Total deferred tax (income) / expense	(18.0)	61.7
Income tax expense reported in the consolidated income statement	92.5	209.2

<sup>&</sup>lt;sup>®</sup> The movement in unrecognised deferred tax of €76.7 million expense (2018: €nil million) arose solely on the exceptional impairment of the US operations.

# Income tax on exceptional items within the income statement

The €500.0 million pre-tax impairment charge detailed in note 6 resulted in a €130.7 million deferred tax income which is included within origination and reversal of temporary differences above, offset by a €76.7 million valuation allowance that has been included within the movement in unrecognised deferred tax above. The carrying value of the net US deferred tax asset therefore increased by €54.0 million through the 2019 income statement tax line. This increase reflects both the reduced accounting carrying value of the impaired US enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Further details are available in note 6.

The  $\leq$ 143.0 million pre-tax nuclear provisions related exceptional cost detailed in note 6 resulted in a 2019 current tax income of  $\leq$ 22.8 million within current tax above, and a deferred tax income of  $\leq$ 9.0 million within the origination and reversal of temporary differences above.

During 2018 there were no exceptional items, and thus no income tax was recorded on exceptional items.

## For the year ended 31 December 2019

#### 10. Income tax continued

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Current tax		
Arising on financial instruments reported in hedge reserve	5.8	(41.5)
Arising on financial instruments reported in currency translation reserve	(5.2)	14.9
Arising on actuarial loss / gain on defined benefit pension schemes	(1.3)	-
Total current tax expense	(0.7)	(26.6)
Deferred tax		
Arising on financial instruments reported in hedge reserve	2.8	(20.1)
Arising on financial instruments reported in currency hedging reserve	(2.5)	1.4
Arising on actuarial loss / (gain) on defined benefit pension schemes	(1.8)	8.9
Total deferred tax expense	(1.5)	(9.8)
Income tax income reported in the consolidated statement of comprehensive income	(2.2)	(36.4)

The charge for the year can be reconciled to the expense in the consolidated income statement as follows:

	€m	Year ended 31/12/19 %	€m	Year ended 31/12/18 %
Income before tax	100.1		720.5	
Weighted at the average UK statutory income tax rate of 19.0% (2018: 19.0%)	19.0	19.0	136.9	19.0
Adjustments in respect of income tax of previous years	(4.8)	(4.8)	0.8	0.1
Tax effect of non-deductible/non-taxable items	7.4	7.4	43.5	6.0
Movement in unrecognised deferred tax	76.7	76.6	-	-
Effect of rate changes on deferred tax	1.2	1.2	(3.5)	(0.5)
Effect of different foreign tax rates	(7.0)	(7.0)	31.5	4.4
Income tax expense reported in consolidated income statement	92.5	92.4	209.2	29.0

A reduction in the UK mainstream corporation tax rate from 20.0% to 19.0% became effective on 1 April 2017. A further reduction to 17.0%, effective from 1 April 2020, was substantively enacted on 15 September 2016. The Group's UK deferred tax assets and liabilities have been valued using a 17.0% tax rate (2018: 17.0%). Consequently, the average annual UK corporation tax rate for the year ended 31 December 2019 is 19.0% (2018: 19.0%).

The UK Government have announced their intention to cancel the remaining enacted UK tax rate reduction to 17.0%, effective 1 April 2020. This cancellation was not enacted at the reporting date, and hence the Group continues to hold its UK deferred tax assets and liabilities at a 17.0% tax rate. Upon enactment, management estimate that the net UK deferred tax liability held at 31 December 2019 would increase by €9.9 million, predominately through the consolidated income statement.

During 2019, the previously enacted reductions in The Netherlands mainstream corporation tax rate were amended such that a single reduction would arise from 25.0% to 21.7% (effective from 1 January 2021). Consequently, the Group's Dutch deferred tax assets and liabilities have been predominantly valued using a 21.7% tax rate (2018: 20.5%). The 2019 annual Dutch corporation tax rate however remained at 25.0% (2018: 25.0%).

#### For the year ended 31 December 2019

#### 10. Income tax continued

#### Deferred income tax

Deferred income tax recognised at 31 December relates to the following:

	Consolidated statement of financial position		Consol	lated income statement
	2019 €m	2018 €m	Year ended 2019 €m	Year ended 2018 €m
Deferred tax (liabilities)/assets				
Relating to fair value movements on financial instruments	(6.0)	7.3	(0.2)	(0.5)
Relating to fixed assets <sup>(1)</sup>	(205.3)	(173.9)	(18.4)	(19.5)
Relating to other temporary differences	31.9	3.8	9.7	(0.2)
Relating to prior years	-	-	10.9	2.6
Relating to provisions	35.6	48.0	3.6	9.7
Relating to retirement benefits	5.9	3.2	1.5	-
Relating to tax losses	38.5	13.9	1.7	(1.0)
Effect of rate changes on deferred tax	-	-	(1.2)	3.5
Total deferred tax liabilities	(99.4)	(97.7)		
Deferred tax assets/(liabilities)				
Relating to fair value movements on financial instruments	7.0	1.4	(0.1)	(0.2)
Relating to fixed assets <sup>(i)</sup>	(77.2)	(195.6)	125.6	(17.0)
Relating to other temporary differences	2.8	6.8	(4.5)	4.4
Relating to prior year	-	-	0.7	(1.8)
Relating to provisions	140.7	111.6	27.7	10.2
Relating to retirement benefits	6.0	5.2	(0.2)	(0.9)
Relating to start up costs	27.4	32.4	(5.7)	(5.4)
Relating to tax losses	247.6	298.2	(56.4)	(45.6)
Valuation allowance	(171.2)	(93.9)	(76.7)	_
Total deferred tax assets	183.1	166.1		
Deferred tax expense/(income)			18.0	(61.7)

Fixed assets consists of (a) property, plant and equipment, (b) investment property, and (c) intangible assets.

The recognition of the deferred tax assets set out above requires management to use judgements in determining the likely timing and level of future suitable taxable profits. In the case of the Group's US enrichment operations, net deferred tax assets of €128.3 million (2018: €102.1 million), relating predominately to unused tax losses and start up costs, have been recognised based on the expectations of future taxable profits within the Urenco business plan. At 31 December 2019, a 10% increase in future taxable profits in the plan period would lead to an increase of €12.7 million (2018: €13.0 million) in the amount of the net US deferred tax assets recognised, whilst a 10% decrease in future taxable profits would lead to a decrease of €11.7 million (2018: €13.0 million) in the amount of US net assets recognised. At 31 December 2019, as shown in the above table, a valuation allowance totalling €171.2 million (2018: €93.9 million) was provided against gross deferred tax assets.

Urenco assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities. Inherent uncertainties exist in estimates of tax contingencies due to the complexities of interpretation and changes in tax laws. Whilst Urenco believes it has adequately provided for the outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.

There are no income tax consequences for the Urenco Group attaching to the payment of dividends by Urenco Limited to its shareholders.

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# Notes to the Consolidated Financial Statements continued

# For the year ended 31 December 2019

# 11. Dividends paid and proposed

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 178.57 cents per share (2017: 178.57 cents per share)	300.0	300.0
	300.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the period ended 31 December 2019 of 178.57 cents per share (2018: 178.57 cents per share)	300.0	300.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Group.

# 12. Earnings per share

Earnings per share amounts are calculated by dividing net earnings attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation of the basic earnings per share is based on the following data:

	Year ended 31/12/19	Year ended 31/12/18
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	7.6	511.3
In millions of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	168.0	168.0
In euros		
Basic earnings per share	0.1	3.0

There has been no movement in the number of issued ordinary shares during the year (see note 25).

No information for diluted earnings per share is included as there are no potentially dilutive shares (of any class or category) in issue and hence no dilutive impact.

## For the year ended 31 December 2019

## 13. Property, plant and equipment

2019	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 31 December 2018	2,264.6	6,732.6	174.8	20.6	1,311.7	10,504.3
Adjustment for IFRS 16 adoption	20.4	1.1	0.3	0.6	-	22.4
Cost as at 1 January 2019	2,285.0	6,733.7	175.1	21.2	1,311.7	10,526.7
Additions	58.3	58.4	4.1	0.3	141.9	263.0
Transfers (see note 14 and 15)	86.1	49.2	7.9	0.2	(143.5)	(0.1)
Disposals	(0.4)	(1.2)	-	(0.3)	-	(1.9)
Written off	-	-	-	-	(0.6)	(0.6)
Exchange adjustments	59.3	142.7	1.8	0.1	74.9	278.8
Cost as at 31 December 2019	2,488.3	6.982.8	188.9	21.5	1,384.4	11,065.9
Depreciation as at 1 January 2019	845.3	4,484.4	139.8	18.8	54.1	5,542.4
Charge for the year	59.3	271.2	14.7	1.1	-	346.3
Impairment charge (see note 6)	228.7	266.2	0.9	0.1	-	495.9
Disposals	(0.2)	(0.7)	-	(0.3)	-	(1.2)
Exchange adjustments	14.4	94.6	1.5	0.1	1.1	111.7
Depreciation as at 31 December 2019	1,147.5	5,115.7	156.9	19.8	55.2	6,495.1
Carrying amount as at 31 December 2018	1,419.3	2,248.2	35.0	1.8	1,257.6	4,961.9
Carrying amount as at 31 December 2019	1,340.8	1,867.1	32.0	1.7	1,329.2	4,570.8

All land, buildings and other items of property, plant and equipment are carried at historical cost less accumulated depreciation and impairments. The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

The transfers in 2019 relate to a transfer from assets under construction to other items of property, plant and equipment and a reclassification of €0.1 million from property, plant and equipment to intangible assets.

2018	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2018	2,022.7	6,428.8	160.4	20.2	1,417.0	10,049.1
Additions	90.7	70.2	3.1	0.2	134.6	298.8
Transfers (see notes 14 and 15)	104.7	163.1	10.2	0.2	(274.6)	3.6
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Written off	-	-	-	-	(0.4)	(0.4)
Exchange adjustments	46.5	70.5	1.2	0.1	35.1	153.4
Cost as at 31 December 2018	2,264.6	6,732.6	174.8	20.6	1,311.7	10,504.3
Depreciation as at 1 January 2018	768.9	4,188.0	122.3	17.8	51.6	5,148.6
Charge for the year	53.3	250.3	16.4	1.1	-	321.1
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Exchange adjustments	23.1	46.1	1.2	-	2.5	72.9
Depreciation as at 31 December 2018	845.3	4,484.4	139.8	18.8	54.1	5,542.4
Carrying amount as at 1 January 2018	1,253.8	2,240.8	38.1	2.4	1,365.4	4,900.5
Carrying amount as at 31 December 2018	1,419.3	2,248.2	35.0	1.8	1,257.6	4,961.9

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# Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

## 13. Property, plant and equipment continued

From 1 January 2019, following the adoption of IFRS 16, right-of-use assets have been included within property, plant and equipment, see the following table for further details.

## Right-of-Use Assets

2019	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 31 December 2018	-	-	-	-	-	-
Adjustment for IFRS 16 adoption	20.4	1.1	0.3	0.6	-	22.4
Cost as at 1 January 2019	20.4	1.1	0.3	0.6	-	22.4
Additions	0.7	0.1	-	0.3	-	1.1
Exchange adjustments	0.2	-	-	-	-	0.2
Cost as at 31 December 2019	21.3	1.2	0.3	0.9	-	23.7
Depreciation as at 1 January 2019	-	-	-	-	-	-
Charge for the year	1.1	0.2	0.3	0.3	-	1.9
Impairment charge (see note 6)	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	-
Depreciation as at 31 December 2019	1.1	0.2	0.3	0.3	-	1.9
Carrying amount as at 1 January 2019	20.4	1.1	0.3	0.6	-	22.4
Carrying amount as at 31 December 2019	20.2	1.0	-	0.6	-	21.8

The Group leases several assets including buildings, plant and machinery and motor vehicles. Additions to the right-of-use assets during 2019 were €1.1 million.

The maturity analysis of lease liabilities is presented in note 29.

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €39.5 million (2018: €30.7 million) principally in relation to cascades, equipment and buildings.

Included in plant and machinery are the following amounts relating to capitalised decommissioning costs:

	2019 €m	
Cost as at 31 December	455.2	403.4
Impairment	(15.2)	(6.4)
Depreciation as at 31 December	(258.0)	(231.4)
	182.0	165.6
- · ·		.03.0
Carrying amount as at 31 December  Included in property, plant and equipment are the following amounts relating to c	apitalised interest costs:	2018
Included in property, plant and equipment are the following amounts relating to c	apitalised interest costs: 2019 €m	2018 €m
Included in property, plant and equipment are the following amounts relating to cost as at 31 December	apitalised interest costs: 2019 €m 567.1	2018 €m 485.6
Included in property, plant and equipment are the following amounts relating to c  Cost as at 31 December  Impairment	apitalised interest costs:  2019 €m 567.1	2018 €m 485.6 (25.7)
Included in property, plant and equipment are the following amounts relating to cost as at 31 December	apitalised interest costs: 2019 €m 567.1	2018 €m 485.6 (25.7)

The borrowing costs capitalisation rate of assets under construction was 4.80% (2018: 5.17%).

#### For the year ended 31 December 2019

## 14. Investment property

2019	Total €m
Cost as at 1 January 2019	8.3
Exchange adjustments	0.4
Cost as at 31 December 2019	8.7
Depreciation as at 1 January 2019	2.2
Charge for the year	0.3
Reversal of impairment loss	(0.4)
Exchange adjustments	0.1
Depreciation as at 31 December 2019	2.2
Carrying amount as at 1 January 2019	6.1
Carrying amount as at 31 December 2019	6.5

Investment property includes land and buildings acquired by Urenco UK Limited in December 2013 and land and buildings owned by Urenco Nederland B.V. transferred from property, plant and equipment during 2015.

The fair value of the investment property held by Urenco Nederland B.V as at 31 December 2019 was €2.4 million, based on a formal valuation performed at the end of 2019. This valuation was performed by an independent valuer who holds a recognised and relevant professional qualification.

No formal valuation has been conducted on the investment property held by Urenco UK Limited during 2019.

The fair value of the investment property held by Urenco UK Limited has been assessed by management using a discounted cashflow valuation method to identify any material changes to the formal valuations conducted previously. The fair value as at 31 December 2019 under this method was €7.9 million (31 December 2018: €6.1 million). There has been no change to the valuation technique used during the year.

The rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €0.1 million (2018: €0.3 million). Associated direct operating expenses amounted to €0.2 million (2018: €0.3 million). Rental income is recognised within revenue.

2018	Total €m
Cost as at 1 January 2018	8.7
Transfers (see note 13)	(0.4)
Exchange adjustments	-
Cost as at 31 December 2018	8.3
Depreciation as at 1 January 2018	1.9
Charge for the year	0.4
Exchange adjustments	(0.1)
Depreciation as at 31 December 2018	2.2
Carrying amount as at 1 January 2018	6.8
Carrying amount as at 31 December 2018	6.1

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#### **Notes to the Consolidated Financial Statements** continued

#### For the year ended 31 December 2019

## 15. Intangible assets

2019	Licence costs €m	Other software assets €m	Customer Contracts €m	Waiver payments €m	Total €m
Cost as at 1 January 2019	67.6	94.5	-	6.3	168.4
Additions	-	0.1	3.0	-	3.1
Transfers (see note 13)	0.1	-	-	-	0.1
Exchange adjustments	0.9	2.9	-	0.4	4.2
Cost as at 31 December 2019	68.6	97.5	3.0	6.7	175.8
Amortisation as at 1 January 2019	41.4	87.5	-	4.9	133.8
Charge for the year	3.0	3.2	3.0	0.8	10.0
Written off	-	-	-	-	-
Impairment charge (see note 6)	3.9	0.2	-	-	4.1
Transfers	1.2	-	-	(1.2)	-
Exchange adjustments	(1.4)	3.5	-	1.3	3.4
Amortisation as at 31 December 2019	48.1	94.4	3.0	5.8	151.3
Carrying amount as at 1 January 2019	26.2	7.0	-	1.4	34.6
Carrying amount as at 31 December 2019	20.5	3.1	-	0.9	24.5

The licence costs mainly relate to the costs of obtaining an operating licence in the USA. This licence was granted to Louisiana Energy Services, LLC in 2006 and ends in 2040, 30 years after the start of operations. The costs are amortised on a straight-line basis over the remaining licence period from the date of the commencement of production in the USA. The USA enrichment plant commenced commercial operations in June 2010 having received the necessary approvals from the USA Nuclear Regulatory Commission.

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised. Amortisation of capitalised project costs takes place on a straight-line basis, with no residual value. The initial costs have been amortised based on a useful economic life of five years. Costs which have been capitalised subsequently are amortised based on a useful economic life of three to four years.

The Group has no intangible assets assessed as having an indefinite life.

Included in intangible assets are the following amounts relating to capitalised interest costs:

	2019 €m	2018 €m
Cost as at 31 December	2.8	2.7
Depreciation as at 31 December	(1.2)	(1.1)
Impairment	(0.2)	-
Carrying amount as at 31 December	1.4	1.6

The borrowing costs capitalisation rate of items included in intangible assets was 4.80% (2018: 5.17%).

## For the year ended 31 December 2019

## 15. Intangible assets continued

2018	Licence costs €m	Other software assets €m	Waiver payments €m	Total €m
Cost as at 1 January 2018	66.1	96.3	6.4	168.8
Additions	-	0.3	-	0.3
Transfers (see note 13)	-	(3.2)	-	(3.2)
Exchange adjustments	1.5	1.1	(0.1)	2.5
Cost as at 31 December 2018	67.6	94.5	6.3	168.4
Amortisation as at 1 January 2018	37.6	82.4	4.4	124.4
Charge for the year	3.0	3.9	0.8	7.7
Exchange adjustments	0.8	1.2	(0.3)	1.7
Amortisation as at 31 December 2018	41.4	87.5	4.9	133.8
Carrying amount as at 1 January 2018	28.5	13.9	2.0	44.4
Carrying amount as at 31 December 2018	26.2	7.0	1.4	34.6

#### 16. Investments

## Investments in joint venture

The Group has a 50% interest in Enrichment Technology Company Limited (ETC), a joint arrangement whose principal activity is in the research, development, manufacture and installation of plant and equipment for the provision of enrichment services. The Group's 50% share is held for 21.7% by Urenco Limited and for 28.3% by Urenco Deutschland GmbH. The Group accounts for its interest in ETC using the equity accounting method (see note 2).

2019

(3.7)

19.8

2018

7.7

17.6

The share of the assets, liabilities and expenses of the joint arrangement at 31 December were:

	€m	€m
Share of the joint venture statement of financial position		
Non-current assets	22.9	19.9
Current assets	82.2	73.9
Share of gross assets	105.1	93.8
Non-current liabilities	(59.2)	(53.2)
Current liabilities	(26.1)	(23.0)
Share of gross liabilities	(85.3)	(76.2)
Group's share of net assets	19.8	17.6
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Share of joint venture results		
Total revenue	61.2	66.7
Group's share of profit for the year	5.9	3.6
Consolidation adjustments	(0.5)	(0.8)
Share of results of joint venture	5.4	2.8
	2019 €m	2018 €m
Share of net assets of joint venture		
As at 1 January	17.6	6.3
Group's share of profit for the year	5.9	3.6

On consolidation, the Group makes the necessary adjustments to the joint venture results to ensure that income from direct transactions with the joint venture is not recognised.

Group's share of other comprehensive (loss)/income

As at 31 December 2019

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## Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

#### 16. Investments continued

#### Other Investments

	€m
Cost as at 1 January 2019	1.3
Additions	0.1
Cost as at 31 December 2019	1.4
Carrying value as at 1 January 2019	1.3
Carrying value as at 31 December 2019	1.4

The Group invested in a 9.9% share in Twente Technology Fund (TTF). TTF is an innovative venture capital fund. The fund invests in promising young and starting high tech corporations in the Twente area in the Netherlands. In 2019 Urenco has invested €0.1 million (2018: €0.1 million) in the fund which is held at cost.

	€m
Cost as at 1 January 2018	1.2
Additions	0.1
Cost as at 31 December 2018	1.3
Carrying value as at 1 January 2018	1.2
Carrying value as at 31 December 2018	1.3

#### 17. Subsidiaries

The Group parent company, Urenco Limited is incorporated in the UK and has a number of wholly owned subsidiaries. A list of investments in subsidiaries held directly and indirectly by the Company, including the name, country of incorporation and proportion of ownership interest, is given in note 7 to the Company's separate financial statements.

#### 18. Restricted cash

	31/12/19 €m	31/12/18 €m
Restricted cash	3.5	4.3

Restricted cash primarily represents two items:

- An amount which is held in an Escrow account for an agreement for relocation of a pipeline dated August 2006. The Escrow agreement terminates on the earlier of the 50th anniversary of the agreement or receipt by the Escrow Agent of written notice of termination executed by Trinity Pipeline, L.P. and Louisiana Energy Services, LLC.
- A money market account. The money market account is an account for the purpose of an employee deferred compensation arrangement.

#### 19. Inventories

	31/12/19 €m	31/12/18 €m
Raw materials	73.6	82.7
Work-in-progress	53.3	49.4
Finished goods	1.9	2.9
	128.8	135.0

Work-in-progress mainly relates to SWU inventories borrowed from third parties. All inventories are held at the lower of cost and net realisable value.

€42.7m of inventories was recognised as an expense in 2019 (2018: €51.0m).

#### For the year ended 31 December 2019

#### 20. SWU assets

	31/12/19 €m	31/12/18 €m
SWU assets	289.5	241.9

SWU assets are the costs incurred to date in enriching UF<sub>6</sub> to fulfil enrichment contracts with customers.

#### 21. Contract assets

Contract assets relate to balances due from customers under enrichment contracts that arise when the revenue recognised for a delivery exceeds the amount of consideration received.

	2019 €m	2018 €m
As at 1 January	-	-
Revenue recognised during the year	16.3	-
Expected credit losses	-	-
Exchange difference	-	-
As at 31 December	16.3	-
Included in current assets	11.1	-
Included in non-current assets	5.2	-
	16.3	-

Revenue recognised during the year related to a contract that had been modified during the year and which resulted in a re-measurement of the revenue to be recognised for the duration of the contract in accordance with the relative stand-alone price. It is expected that this accrual of revenue will significantly reduce in 2020.

## 22. Trade and other receivables (current)

	31/12/19 €m	31/12/18 €m
Trade receivables	219.8	166.3
Trade receivables due from related parties (see note 36)	0.2	0.2
Other receivables	22.8	30.5
Prepayments	20.4	21.8
	263.2	218.8

The trade and other receivables disclosed above are all classified as loans and receivables and are therefore measured at amortised cost less a loss allowance for expected credit losses.

The average contractual credit period taken on sales of goods and services is 44 days (2018: 31 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at their invoiced value as payments are usually received within the contract terms. The average age of these trade receivables is 20 days (2018: 20 days).

The increase in trade receivables is mainly due to a higher portion of invoices raised just before the year end.

For terms and conditions relating to related party receivables, refer to note 36 on page 138.

At the year end no trade receivables (2018: two receivables totalling €0.1million) were past their due date.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the customer.

Trade receivables are stated net of a provision for expected credit losses of €0.5 million (2018 €0.5 million), wholly relating to receivables arising from revenue contracts.

## 23. Short term deposits

	31/12/19 €m	31/12/18 €m
Short term deposits	464.1	-

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

#### Financial statements

#### **Notes to the Consolidated Financial Statements** continued

#### For the year ended 31 December 2019

## 24. Cash and cash equivalents

	31/12/19 €m	31/12/18 €m
Cash	85.4	136.1
Cash equivalents	237.8	395.1
Total cash and cash equivalents	323.2	531.2

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash equivalents comprise on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

## 25. Share capital

	31/12/19 €m	31/12/18 €m
Authorised:		
240 million ordinary shares of £1 each		
'A' ordinary	113.0	113.0
'B' ordinary	113.0	113.0
'C' ordinary	113.0	113.0
	339.0	339.0
Issued and fully paid:		
168 million ordinary shares of £1 each		
'A' ordinary	79.1	79.1
'B' ordinary	79.1	79.1
'C' ordinary	79.1	79.1
	237.3	237.3

The 'A', 'B' and 'C' ordinary shares have identical rights, which carry no right to fixed income.

#### Additional paid in capital

This represents the 21.7% shares given to Urenco Limited by its shareholders as additional paid in capital bringing the Urenco holding in ETC to 50% in 2006.

## 26. Reserves

The reserves outlined in the consolidated statement of changes in equity on page 76 are as follows:

## Additional paid in capital

This represents the 21.7% shares given to Urenco Limited by its shareholders as additional paid in capital bringing the Urenco holding in ETC to 50% in 2006.

#### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the parent entity into the euro presentational currency and the fair value movements on net investment hedges.

#### For the year ended 31 December 2019

#### 26. Reserves continued

#### **Hedging reserves**

This is a combination of the hedging reserve and the cost of hedging reserve for which further explanation is provided below.

#### **Hedging reserve - summary**

	Year ended 31/12/19	Year ended 31/12/18 Restated <sup>(i)</sup>
	€m	€m
Carried forward as at 31 December	35.3	(322.5)
Adjustment for IFRS 9 transition <sup>®</sup>	-	348.4
Revised as at 1 January	35.3	25.9
Other comprehensive income/(loss):		
Cash flow hedges – transfers to revenue	40.2	44.9
Cash flow hedges – mark to market losses	(23.6)	(98.1)
Deferred tax (expense)/income on financial instruments	(4.1)	17.4
Current tax (expense)/income on financial instruments	(5.8)	41.5
Exchange differences	(12.5)	3.7
Other comprehensive income/(expense)	(5.8)	9.4
Carried forward as at 31 December	29.5	35.3

#### Cost of hedging reserve - summary

	Year ended 31/12/19	Year ended 31/12/18 Restated <sup>®</sup>
	€m	€m
Carried forward as at 31 December	3.2	-
Adjustment for IFRS 9 transition (1)	-	14.6
Revised as at 1 January	3.2	14.6
Other comprehensive income/(loss):		
Movements before tax	(15.6)	(14.0)
Deferred tax income	1.3	2.7
Exchange differences	0.3	(0.1)
Other comprehensive loss	(14.0)	(11.4)
Carried forward as at 31 December	(10.8)	3.2

#### **Hedging reserves - totals**

Carried forward as at 31 December 18.7	38.5
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<sup>(1)</sup> The adjustment for IFRS 9 transition has been restated to appropriately present the accumulation of gains/losses of hedging instruments in net investments hedges and the related deferred and current tax in the foreign currency translation reserve. The mark to market gains and losses and related deferred and current tax in respect of net investment hedges for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. Total equity as at 31 December 2018 remains unchanged. The reserves prior to and after this restatement are shown below.

#### **Hedging reserve**

The hedging reserve is a separate component of equity used to record changes in the fair values of cash flow hedging instruments.

## Cost of hedging reserve

The cost of hedging reserve is a separate component of equity used to record changes in the fair value of the currency basis spread as included in the fair value of financial instruments that are in a hedge relationship and the changes in the fair value of the forward points of forward foreign exchange contracts that are hedging future revenue.

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# **Notes to the Consolidated Financial Statements** continued

## For the year ended 31 December 2019

## 26. Reserves continued

The impact of the restatement between hedging and cost of hedging reserves and between hedging and foreign currency translation reserves, described in footnote (i) on the previous page, are set out below.

## Hedging reserve - Restatement of 2018

		Year ended 31/12/18	
	Restated €m	Hedging to foreign currency translation reserve Restatement €m	As reported €m
Carried forward as at 31 December	(322.5)	-	(322.5)
Adjustment for IFRS 9 transition	348.4	363.0	(14.6)
Revised as at 1 January	25.9	363.0	(337.1)
Other comprehensive income/(loss):			
Cash flow hedges – transfers to revenue	44.9	-	44.9
Cash flow hedges – mark to market losses	(98.1)	-	(98.1)
Net investment hedges – mark to market gains	-	75.7	(75.7)
Deferred tax income on financial instruments	17.4	1.4	16.0
Current tax income on financial instruments	41.5	14.9	26.6
Exchange differences	3.7	-	3.7
Other comprehensive income	9.4	92.0	(82.6)
Carried forward as at 31 December	35.3	455.0	(419.7)

## Foreign currency translation reserve – Restatement of 2018

	Restated €m	Hedging to foreign currency translation reserve Restatement €m	As reported €m
Carried forward as at 31 December	536.4	-	536.4
Adjustment for IFRS 9 transition	(363.0)	(363.0)	-
Revised as at 1 January	173.4	(363.0)	536.4
Exchange differences on foreign currency translation of foreign operations	126.7	-	126.7
Net investment hedges – mark to market losses	(75.7)	(75.7)	-
Deferred tax expense on financial instruments	(1.4)	(1.4)	-
Current tax expense on financial instruments	(14.9)	(14.9)	-
Share of joint venture exchange difference on foreign currency translation of foreign operations	(0.4)	-	(0.4)
Other comprehensive income/(loss)	34.3	(92.0)	126.3
Carried forward as at 31 December	207.7	(455.0)	662.7

#### For the year ended 31 December 2019

#### 27. Contract liabilities

Contract liabilities relate to the Group's obligations to transfer enrichment or storage services to customers for which the Group has received consideration from the customer prior to transferring control of the underlying good or service.

	2019 €m	2018 €m
As at 1 January	112.2	29.8
Revenue recognised during the year	(54.7)	(1.6)
Other movements during the year	51.1	84.8
Exchange difference	4.5	(0.8)
As at 31 December 2019	113.1	112.2
Included in current liabilities	59.6	62.1
Included in non-current liabilities	53.5	50.1
	113.1	112.2

Revenue recognised during the year mainly related to deliveries made in the year for which the customer made payments in advance in 2018. Other movements during the year were mainly driven by customer payments in the year of €50.5 million in advance of deliveries to be made in 2020. The current contract liabilities balance at year end mainly relates to deferred income for SWU deliveries to be recognised as revenue in 2020. The non-current contract balance at year end relates to deferred income for SWU deliveries to be recognised as revenue during the period from 2021 to 2023, and contracted storage services to be provided by Urenco Nuclear Stewardship Limited to be recognised during the period from 2021 to 2077 for which the consideration was received in advance.

## 28. Financial risk management objectives and policies

The Group's principal financial liabilities consist of trade payables and other financial instruments including bank loans, private and publicly traded debt and financial derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations or debt issues. All financial instruments, including derivatives, are unsecured. No collateral is pledged or received in respect of the Group's financial instruments.

The Group's key transactions in derivative financial instruments are principally forward currency contracts, interest rate swaps and cross-currency swaps. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Additionally the Group entered into commodity contracts with the purpose to buy or sell uranium or conversion services which are not supported by or in support of the Group's products and services provided to customers.

It is the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The Group is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.

#### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties. The Group has not pledged and does not hold collateral over any balances.

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## **Notes to the Consolidated Financial Statements** continued

# For the year ended 31 December 2019

# 28. Financial risk management objectives and policies continued

The following table details the Group's maximum exposure to credit risk:

	Financia	Financial assets at fair value		
As at 31 December 2019	Trade and other receivables €m	Short term bank deposits €m	Cash and cash equivalents €m	Derivative financial assets with positive fair value €m
AAA	-	-	197.1	-
AA+	30.4	-	-	-
A+	-	129.5	68.3	61.6
A	-	334.6	55.7	73.1
A-	89.7	-	2.1	0.9
AA-	21.4	-	-	-
BBB+	25.7	-	-	-
B+	0.2	-	-	-
BBB-	39.3	-	-	-
CCC+	11.4	-	-	-
Unrated	45.1	-	-	16.8
	263.2	464.1	323.2	152.4

	Financ	Financial assets at fair value		
As at 31 December 2018	Trade and other receivables €m	Short term bank deposits €m	Cash and cash equivalents €m	Derivative financial assets with positive fair value €m
AAA	15.8	-	42.1	-
A+	-	-	138.9	34.8
A	0.1	-	347.8	129.8
A-	56.3	-	2.3	24.7
BB+	2.9	-	-	-
BB	29.5	-	-	-
B+	17.7	-	-	-
В	5.9	-	-	-
BBB-	38.1	-	0.1	-
Unrated	52.5	-	-	22.9
	218.8	-	531.2	212.2

#### For the year ended 31 December 2019

28. Financial risk management objectives and policies continued

Details of how credit risk is managed across the asset categories is provided below:

#### Trade and other receivables

The Group trades only with what it considers are creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain. It is the Group's policy that all customers wishing to trade on credit are subject to an internal approval process based on an internally devised system of credit scoring. Customers are assigned credit limits based on this credit score and their credit balances are monitored and managed against these limits on a monthly basis.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historic credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 22 includes further details on the loss allowance for these assets.

#### Short term bank deposits, cash and equivalents and derivative financial assets

With respect to credit risk arising from other financial assets of the Group, comprising cash and cash equivalents, short term deposits, and certain derivative financial instruments, the Group's credit risk is the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Counterparties for these assets are banks with investment-grade credit ratings assigned by international credit-rating agencies. The Group has assessed that no significant increase in credit risk has taken place on these balances since initial recognition. Accordingly, the expected credit loss modelled is the 12-month expected credit loss.

#### Interest rate risk

The Group is exposed to interest rate risk on cash balances which are subject to short term variable interest rates. The Group's borrowings to finance its operations are at fixed rates of interest and do not expose the Group to interest rate risk.

The Group manages its cash balances to protect itself against adverse changes in rates while maintaining liquidity to meet its operating requirements. The Group does not use derivative hedging strategies to fix interest rates on its cash balances.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the section about liquidity risk management of this note.

The Group's policy to manage interest rate risk is to keep a proportion of its borrowings at fixed rates of interest. The Group enters into cross currency interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge the underlying debt obligations. As at 31 December 2019, the Group does not hold any interest rate derivatives.

The Financial Conduct Authority (FCA) has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR. The Group has assessed the impact of the IBOR reform on its current hedging strategies and does not expect a material impact resulting from the LIBOR reforms as the Group is not exposed to IBOR linked derivatives. The Group has assessed its current commercial contracts and where LIBOR is referenced in relation to penalty interest. These contracts will be re-negotiated.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to the Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average Rate (TONA) respectively.

## Interest rate sensitivity analysis

In respect of non-derivative financial instruments with fixed interest rates, changes in market interest rates will only affect income if these are measured at their fair value. All financial instruments with fixed interest rates are carried at amortised cost and are therefore not subject to interest rate risk as defined in IFRS 7.

Changes in market interest rates affect the interest income or expense of non-derivative variable interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities. The Group does not hold any derivative financial instruments subject to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at reporting date. The analysis is prepared assuming the amount of the cash balances receivable at reporting date was receivable for the whole year. A 1 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates .

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#### **Notes to the Consolidated Financial Statements** continued

#### For the year ended 31 December 2019

## 28. Financial risk management objectives and policies continued

If market interest rates had been one percent higher/(lower) at 31 December 2019 and all other variables were held constant, interest income, would increase/decrease by €7.9 million (31 December 2018: €1.6 million higher / €6.0 million lower). This is mainly attributable to the Group's exposure to interest rates on its short term deposits.

The Group's exposure to variable interest rate risk has increased during the current year arising from an increase in cash balances managed by the Group.

## Foreign currency risk

Currency risk as defined by IFRS 7 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

#### Transaction risk

The Group has transactional currency exposures as a result of approximately 71% (2018: 69%) of its revenues being denominated in US dollars, whilst currently only approximately 23% (2018: 22%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 36% (2018: 37%) of Group costs being denominated in sterling, whilst revenue is mainly in euros and US dollars.

In order to mitigate these exposures, the Group's policy is to hedge its net contracted US dollar and sterling exposures in its UK and rest of European businesses (i.e. cash revenues less cash costs) using forward currency contracts and related derivative financial instruments. The Group's policy is to hedge forward its net contracted US dollar and sterling exposures to a minimum of 80% in the current and following year, 50% in the second year and 20% in the third year ahead.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

#### Translation risk

The Group is exposed to translation currency risk as a result of its net investments in US and UK operations. The risk is that the euro value of the net assets of foreign operations will decrease with changes in exchange rates. The Group's policy is to mitigate its currency exposure by entering, where appropriate, into net investment hedging arrangements utilising holdings of foreign currency debt, entering into foreign currency derivatives or a mixture of both.

## Foreign currency sensitivity analysis

The following sensitivity analysis addresses the effect of currency risks on the Group's financial instruments:

- A number of external and inter-company loans which are denominated in US dollars and euro are designated as, and are effective hedges, of the Group's investments in US dollars and euro denominated assets. Any gains/losses arising on the retranslation of these US dollar or euro loans are recorded directly to other comprehensive income and would be offset in equity by a corresponding loss/gain arising on the retranslation of the related hedged foreign currency net asset.
- The Group enters into currency forward contracts to mitigate currency risk, the majority of which are against the US dollar. These are currency derivatives that are part of an effective cash flow hedge for currency fluctuations resulting from exchange rate movements in accordance with IFRS 9. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Any ineffectiveness or ineffective hedges affect the income statement. The potential sources of hedge ineffectiveness are considered to be the credit risk and cost of hedging such as currency basis and forward points. Cost of hedging is recorded as a separate component of reserves.

#### For the year ended 31 December 2019

## 28. Financial risk management objectives and policies continued

The Group has removed all material sources of hedge ineffectiveness from its designated hedge relationships.

The following table demonstrates the sensitivity to a 10 per cent increase and decrease in currency units against the currencies to which the Group is exposed. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding exposures to forward foreign exchange contracts used in the hedging of highly probable forecast revenue:

		£/US\$		€/US\$		€/£
	Rate Change	Effect on income/(loss) before tax €m	Effect on equity €m	Effect on income/(loss) before tax €m	Effect on equity €m	Effect on equity €m
2019	+10%	6.2	42.5	2.0	93.8	(24.7)
	-10%	(7.6)	(51.9)	(2.4)	(114.6)	30.2
2018	+10%	(2.1)	50.5	(0.8)	112.9	(23.8)
	-10%	2.5	(61.7)	1.0	(137.9)	29.0

The Group's sensitivity to foreign currency exposure relating to forecast revenue hedging activities has remained largely unchanged as seen in the effect on equity. The Group has experienced an increase in its currency exposure on unhedged positions in comparison to the prior year as a result of de-designations of trades from its forecast sales hedging strategy. This is reflected in the effect on income/ (loss) heading of the sensitivity analysis.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

#### Liquidity risk

The Group plans its funding operations and monitors the risk of a shortage of funds on a monthly basis, using a forward planning model that considers the maturity of existing borrowings, projected capital expenditure and projected cash flows from operations.

The Group has €750 million (2018: €750 million) undrawn committed bank facilities. The Group manages liquidity risk by a combination of undrawn credit facilities and by refinancing debt in advance of the maturity date.

The Group seeks to achieve flexibility and continuity of funding through the active use of a range of different instruments, markets and currencies. External debt funding is sought over a range of different tenors in order to avoid a concentration of maturities. At 31 December 2019, nil % (2018: nil %) of the Group's interest bearing loans and borrowings will mature in less than one year.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 based on contractual undiscounted payments:

2019	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Interest bearing loans and borrowings	13.4	30.2	1,646.2	260.1	1,949.9
Trade and other payables	209.2	41.4	-	-	250.6
Cross currency swap (inflows)	(26.6)	(18.8)	(1,493.4)	(164.0)	(1,702.8)
Cross currency swap outflows	30.4	33.5	1,500.0	224.6	1,788.5
Foreign exchange (receipts)	(12.3)	(27.5)	(68.0)	-	(107.8)
Foreign exchange payments	2.0	3.5	23.9	-	29.4
Lease liabilities	0.7	1.8	5.7	89.0	97.2
Other financial liabilities	-	40.8	-	-	40.8
	216.8	104.9	1,614.4	409.7	2,345.8

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

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## Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

## 28. Financial risk management objectives and policies continued

2018	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Interest bearing loans and borrowings	18.4	30.1	1,385.9	756.2	2,190.6
Trade and other payables	255.4	-	41.4	-	296.8
Cross currency swap (inflows)	(23.3)	(15.6)	(1,366.3)	(143.0)	(1,548.2)
Cross currency swap outflows	26.5	30.0	1,371.4	223.9	1,651.8
Foreign exchange (receipts)	(7.2)	(34.5)	(96.4)	-	(138.1)
Foreign exchange payments	8.3	35.1	69.5	2.4	115.3
Other financial liabilities	-	42.9	-	-	42.9
	278.1	88.0	1,405.5	839.5	2,611.1

## Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong investment-grade credit rating and healthy capital ratios in order to support the long-term success of the business and to maintain an appropriate level of shareholder returns.

The Group is subject to externally imposed covenants on its issued debt. In the event of a credit downgrade, in conjunction with a change in control of ownership, the holders of the Group's outstanding debt may demand repayment.

The principal means of adjusting the Group's capital structure is through changes in the proportion of cash reinvested in the business or returned to shareholders.

The Group monitors its capital structure through the use of financial ratios, principally those of Net Debt to Total Assets and Funds From Operations to Total Adjusted Debt (FFO/TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and pension obligations. TAD is interest bearing loans and borrowings adjusted for cash and short term bank deposits, lease liabilities, retirement benefit obligation deficit, and tails and decommissioning provisions.

The Group targets an FFO/TAD ratio that results in a strong investment-grade credit rating as set out in the Group finance report. The Group targets a long-term ratio of less than 60% for Net Debt to Total Assets, which the Group defines as Interest bearing loans and borrowings (current and non-current) less cash and cash equivalents and short term deposits divided by Total Assets.

Following the adoption of IFRS 16 from January 2019, the Group has amended its definition of Net Debt and TAD to include lease liabilities. Additionally, the Group has amended its definition of FFO from January 2019 to exclude the adjustment for operating lease depreciation.

	2019 €m	2018 €m
Net debt (see page 126)	928.1	1,370.9
Total assets	6,536.1	6,575.6
Net debt to total assets	14.2%	20.8%

#### For the year ended 31 December 2019

# 28. Financial risk management objectives and policies continued

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
EBITDA	1,219.6	1,200.4
Less:		
Net interest on bank borrowings and other loans	(86.2)	(80.4)
Unwinding of discount on provisions	(69.2)	(58.9)
Current tax expenses	(110.5)	(147.5)
Add:		
Operating lease depreciation	-	3.1
Pension normalisation	(3.9)	(5.2)
Funds from operations (FFO)	949.8	911.5
Interest bearing loans and borrowings	1,693.4	1,902.1
Cash and short-term bank deposits	(787.3)	(531.2)
Operating lease adjustment	-	48.6
Lease liabilities	22.0	-
Pensions deficit	65.2	46.0
Deferred tax on pensions deficit	(11.9)	(8.4)
Tails and decommissioning provisions	1,983.4	1,613.6
Depreciation within tails provisions	(380.7)	(317.3)
Deferred tax on provisions	(176.3)	(159.6)
Deferred tax on depreciation within tails provisions	80.2	65.6
Total adjusted debt (TAD)	2,488.0	2,659.4
FFO/TAD	38.2%	34.3%

## 29. Other financial assets and financial liabilities

## Interest bearing loans and borrowings

As at 31 December 2019	Effective interest rate %	Maturity	2019 €m	2018 €m
Non-current				
€750 million Eurobond	2.50%	Feb 21	533.9	748.6
€500 million Eurobond	2.25%	Aug 22	498.1	497.4
€500 million Eurobond	2.375%	Dec 24	497.4	496.9
Yen 20 billion Loan Agreement	6.24%	Apr 38	164.0	159.2
			1,693.4	1,902.1

As at 31 December 2019, after taking into account the effect of interest rate swaps, 100% (2018: 100%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €45.2 million (2018: €51.4 million).

There were no drawings under the €750 million revolving credit facility at the end of the year (2018: none), which expires in June 2023.

The Group repurchased and cancelled €215.6 million of the February 2021 Eurobonds for a price of 104.6% at an amount of €225.5 million. The transaction was completed on 22 January 2019 for a total amount of €230.5 million, which included €5.0 million of accrued interest of these Eurobonds. A nominal amount of €534.4 million remains outstanding.

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#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

Hedging activities and derivatives

#### Revenue related hedges

The Group maintains a rolling portfolio of forward foreign exchange contracts ('FFECs') designated as cash flow hedges against forecast revenues to be received in foreign currencies. This is in order to hedge contracts denominated in euros and US dollars to the underlying European enrichment entities' functional currencies, which are split between sterling and euro.

For the hedges of highly probable forecast revenue, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

Potential sources of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in the foreign exchange rates and the timing of the forecast revenue. These potential sources of ineffectiveness are not considered to be material in the performance of the hedge.

No other sources of ineffectiveness emerged from these hedging relationships.

As at 31 December 2019, the net liability of the FFECs was €49.4 million (31 December 2018: liability of €54.0 million), with the movement driven principally by the US dollar forward rates weakening against sterling and strengthening against the euro in the year. The vast majority of FFECs are designated as cash flow hedges, with the gains and losses deferred in equity. There is a small minority of FFECs that have been de-designated from hedge relationships and, therefore, their gains and losses are recognised in the income statement. Also, a small number of FFECs were not formally designated in a hedge and are revalued through the income statement.

During the year, €40.2 million of hedging losses (2018: losses of €44.9 million) were recycled to revenues due to the maturing of contracts in effective hedging relationships.

#### **Borrowing related hedges**

The Group uses Cross Currency Interest Rate Swaps ('CCIRSs') to hedge its US dollar, euro and yen debt instruments into sterling as they are held by Urenco Limited, a sterling functional currency entity. The Group's portfolio of CCIRS help to manage the foreign exchange volatility which would be recognised through the income statement.

The CCIRS are split into two legs, the first leg swaps foreign denominated debt into sterling, and is designated as a cash flow hedge, and the second leg swaps sterling into US dollar and is designated as a net investment hedge of the Group's investment in USA subsidiaries (Urenco USA Inc. and Louisiana Energy Services LLC).

For borrowing related hedges, as the critical terms (i.e. the notional amount, life and underlying) of the CCIRSs and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the CCIRSs and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

Potential sources of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the CCIRSs, which is not reflected in the fair value of the hedged item attributable to changes in the foreign exchange rates. These potential sources of ineffectiveness are not considered to be material in the performance of the hedge.

No other sources of ineffectiveness emerged from these hedging relationships.

As at 31 December 2019, the Group's portfolio of CCIRSs was held as an asset of €10.0 million (31 December 2018: asset of €56.4 million). The movement in the year of €46.4 million is mainly attributable to fair value movements resulting from the weakening of euro against the US dollar.

Included in loans at 31 December 2019 were borrowings of €500.0 million (31 December 2018: €650.0 million), which have been designated as hedges of the net investment in the Group's European sites. Gains or losses on the retranslation of these borrowings are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

#### For the year ended 31 December 2019

#### 29. Other financial assets and financial liabilities continued

#### **Fair values**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments as at 31 December that are carried in the financial statements:

	Book value 2019 €m	Fair value 2019 €m	Book value 2018 €m	Fair value 2018 €m
Financial assets				
Loans and receivables				
Trade and other receivables <sup>(1)</sup>	263.2	263.2	218.8	218.8
Derivative financial assets at fair value through profit or loss				
Forward foreign exchange contracts – hedged	23.5	23.5	19.7	19.7
Forward foreign exchange contracts – non-hedged	0.6	0.6	-	-
Cross currency interest rate swaps	111.5	111.5	169.6	169.6
Commodity contracts at fair value	16.8	16.8	22.9	22.9
Short term bank deposits <sup>(i)</sup>	464.1	464.1	-	-
Cash and cash equivalents <sup>(i)</sup>	323.2	323.2	531.2	531.2
Total	1,202.9	1,202.9	962.2	962.2
Financial liabilities				
Financial liabilities measured at amortised cost				
Fixed rate borrowings	1,693.4	1,905.6	1,902.1	1,962.3
Trade and other payables <sup>(ii)</sup>	250.6	250.6	296.8	296.8
Derivative financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts – hedged	67.8	67.8	73.7	73.7
Forward foreign exchange contracts – non-hedged	5.7	5.7	-	-
Cross currency interest rate swaps	101.5	101.5	113.2	113.2
Commodity contracts at fair value	3.8	3.8	5.0	5.0
Total	2,122.8	2,335.0	2,390.8	2,451.0

<sup>&</sup>lt;sup>®</sup> For trade and other receivables, as disclosed per note 22, the book value and fair value are deemed to be the same as no debtors are past their due date and the balances have been assessed for credit losses.

Market values have been used to determine the fair value of the Group's listed Eurobond based on the published price and of derivative financial instruments, based on valuations calculated using Bloomberg forward foreign exchange and discount rates. The fair values of all other items have been calculated by discounting the future cash flows at prevailing interest rates.

The recognised financial instruments are not subject to an enforceable master netting arrangement or similar agreement. Hence the financial assets and financial liabilities reported in the table above are disclosed on a gross basis rather than being offset.

#### Fair value disclosures

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There have been no transfers between level 1, level 2 and level 3 recurring fair value measurements during the year.

The fair value of fixed rate borrowings in the table above has been measured at level 2.

There have been no changes in the valuation techniques of the level 2 measurements.

<sup>(</sup>ii) For short term bank deposits and cash and cash equivalents, per notes 23 & 24, the book value is considered a reasonable approximation of fair value due to the short term nature, variable interest on balances and high credit ratings of the counter-parties.

<sup>(</sup>iii) For trade and other payables, as disclosed per note 32, the Group considers the book value to approximate the fair value due to the short term nature to settle the outstanding balances.

#### Financial statements

## Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

#### 29. Other financial assets and financial liabilities continued

Derivative financial instruments are initially recognised, categorised as level 2 and are subsequently remeasured at fair value. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk. Fair value of commodity contracts is the risk adjusted present value of the difference between the contract price and the current forward price multiplied by the volume of the agreed sales or purchases.

As at 31 December, the Group's financial instruments, were measured at fair value (recurring measurement) using level 2 hierarchy inputs:

	2019 €m	2018 €m
Financial assets at fair value		
Forward foreign exchange contracts – hedged	23.5	19.7
Forward foreign exchange contracts – non hedged	0.6	-
Cross currency interest rate swaps	111.5	169.6
Commodity contracts at fair value	16.8	22.9
Total assets measured at fair value	152.4	212.2
Financial liabilities at fair value		
Forward foreign exchange contracts – hedged	(67.8)	(73.7)
Forward foreign exchange contracts – non hedged	(5.7)	-
Cross currency interest rate swaps	(101.5)	(113.2)
Commodity contracts at fair value	(3.8)	(5.0)
Total liabilities measured at fair value	(178.8)	(191.9)
Net FFEC liability	(49.4)	(54.0)
Net CCIRS asset	10.0	56.4
Net commodity assets at fair value	13.0	17.9
Total net (liability)/asset	(26.4)	20.3

#### Total liabilities from financing activities

As at 31 December 2019, the Group held the following liabilities from financing activities, measured at book value:

	2018	Cash flows		Cash flows				2019
	€m	Proceeds debt hedges €m	Cash outflows €m	Foreign exchange movement €m	Fair value changes €m	Additions €m	Interest €m	€m
Non-current borrowings	1,902.1	-	(215.6)	4.8	2.1	-	-	1,693.4
Lease liabilities	-	-	(2.9)	0.3	-	23.5	1.1	22.0
Net liabilities/(assets) held to hedge borrowings	(56.4)	4.6	(18.9)	(5.3)	66.0	-	-	(10.0)
Total liabilities from financing activities	1,845.7	4.6	(237.4)	(0.2)	68.1	23.5	1.1	1,705.4

## For the year ended 31 December 2019

## 29. Other financial assets and financial liabilities continued

#### **Net Debt**

The Group had a total net debt of €928.1 million as at 31 December 2019 (31 December 2018: €1,370.9 million).

Debt is split between euro denominated debt of €1,529.4 million (31 December 2018: €1,742.9 million) and yen denominated debt of €164.0 million (31 December 2018: €159.2 million).

After the impact of the CCIRSs, which swap either euro or yen debt into US dollar debt, the Group has an effective split of US dollar denominated debt of €939.0 million (31 December 2018: €1,034.2 million) and euro denominated debt of €754.4 million (31 December 2018: €867.9 million).

The value of net debt has moved from €1,370.9 million to €928.1 million principally due to cash generated operationally during the year.

The calculation of net debt as at 31 December is set out below:

	2019 €m	2018 €m
Non-current interest bearing loans and borrowings	1,693.4	1,902.1
Non-current lease liabilities	19.6	
Current lease liabilities	2.4	-
Less: Short term deposits	(464.1)	-
Less: Cash and cash equivalents	(323.2)	(531.2)
Net debt	928.1	1,370.9

## Classification of assets and liabilities

2019	Cash and receivables €m	Derivatives €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment, including right-to-use assets	-	-	4,570.8	4,570.8
Investment property	-	-	6.5	6.5
Intangible assets	-	-	24.5	24.5
Investments including joint venture	-	-	21.2	21.2
Restricted cash	3.5	-	-	3.5
Derivative financial instruments ()	-	152.4	-	152.4
Deferred tax assets	-	-	183.1	183.1
Contract assets	-	-	16.3	16.3
Inventories	-	-	128.8	128.8
SWU assets	-	-	289.5	289.5
Trade and other receivables (ii)	242.6	-	20.6	263.2
Income tax recoverable	-	-	89.0	89.0
Short term bank deposits (ii)	464.1	-	-	464.1
Cash and cash equivalents (ii)	323.2	-	-	323.2
Total	1,033.4	152.4	5,350.3	6,536.1

#### Financial statements

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2019

## 29. Other financial assets and financial liabilities continued

2018	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	-	-	4,961.9	4,961.9
Investment property	-	-	6.1	6.1
Intangible assets	-	-	34.6	34.6
Investments including joint venture	-	-	18.9	18.9
Restricted cash	4.3	-	-	4.3
Derivative financial instruments ()	-	212.2	-	212.2
Deferred tax assets	-	-	166.1	166.1
Inventories	-	-	241.9	241.9
SWU assets	-	-	135.0	135.0
Trade and other receivables (ii)	197.0	-	21.8	218.8
Income tax recoverable	-	-	44.6	44.6
Cash and cash equivalents (ii)	531.2	-	-	531.2
Total	732.5	212.2	5,630.9	6,575.6

2019	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables (ii)	250.6	-	-	-	250.6
Interest bearing loans and borrowings (ii)	1,693.4	-	-	-	1,693.4
Lease liabilities	-	-	22.0	-	22.0
Provisions	-	-	-	2,187.0	2,187.0
Contract liabilities	-	-	-	113.1	113.1
Derivative financial instruments (i)	-	178.8	-	-	178.8
Deferred tax liabilities	-	-	-	99.4	99.4
Retirement benefit obligations	-	-	-	65.2	65.2
Income tax payable	-	-	-	40.8	40.8
Total	1,944.0	178.8	22.0	2,505.5	4,650.3

2018	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables (ii)	296.8	-	-	-	296.8
Interest bearing loans and borrowings (ii)	1,902.1	-	-	-	1,902.1
Provisions	-	-	-	1,776.5	1,776.5
Contract liabilities	-	-	112.2	-	112.2
Derivative financial instruments (i)	-	191.9	-	-	191.9
Deferred tax liabilities	-	-	-	97.7	97.7
Retirement benefit obligations	-	-	-	46.0	46.0
Income tax payable	-	-	-	32.6	32.6
Total	2,198.9	191.9	112.2	1,952.8	4,455.8

<sup>&</sup>lt;sup>(i)</sup> Derivative financial instruments are measured FVTOCI when part of a cash flow or a net investment hedge. Derivatives not designated in a hedge relationship, or designated as a fair value hedge, are measured at FVTPL. In the table following, the derivatives held by the Group are analysed by both maturity and usage.

<sup>(</sup>ii) Financial assets and liabilities recognised at amortised cost.

# For the year ended 31 December 2019

# 29. Other financial assets and financial liabilities continued

The fair values of derivative financial instruments at 31 December are set out below, with the following maturities:

	Fair value asset 2019	Fair value liability 2019	Fair value asset	Fair value liability
	€m	€m	2018 €m	2018 €m
Forward foreign exchanges				
Cash flow hedges				
Within 1 year	5.4	(29.9)	5.9	(32.0)
1 to 2 years	6.8	(14.8)	5.7	(22.3)
2 to 3 years	5.4	(11.3)	5.2	(6.3)
3 to 4 years	3.3	(11.8)	1.1	(6.2)
More than 4 years	2.6	-	0.1	(6.9)
	23.5	(67.8)	18.0	(73.7)
Net investment hedges				
Within 1 year	-	-	0.1	-
1 to 2 years	-	-	-	_
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	-	-	-
	-	-	0.1	-
Fair value hedges				
Within 1 year	-	-	1.6	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	-	-	-
	-	-	1.6	-
Not designated and charged to income				
Within one year	0.6	(5.7)	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	-	-	-
	0.6	(5.7)	-	-
Cross currency interest rate swaps				
Cash flow hedges				
Within 1 year	-	-	-	-
1 to 2 years	70.6	-	-	-
2 to 3 years	40.9	-	113.6	-
3 to 4 years	-	-	56.0	-
More than 4 years	-	-	-	-
	111.5	-	169.6	-

## For the year ended 31 December 2019

# 29. Other financial assets and financial liabilities continued

	Fair value asset 2019 €m	Fair value liability 2019 €m	Fair value asset 2018 €m	Fair value liability 2018 €m
Net investment hedges				
Within 1 year	-	-	-	-
1 to 2 years	-	(54.4)	-	-
2 to 3 years	-	(37.3)	-	(71.1)
3 to 4 years	-	-	-	(40.8)
More than 4 years	-	-	-	-
	-	(91.7)	-	(111.9)
Designated in part as cash flow hedges and in part as net investmen	nt hedges			
Within 1 year	-	-	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	(9.8)	-	(1.3)
	-	(9.8)	-	(1.3)
Commodity contracts not designated and charged to income				
Within 1 year	1.1	(0.5)	6.7	(1.8)
1 to 2 years	9.4	(2.6)	1.4	(0.5)
2 to 3 years	1.6	(0.4)	9.6	(1.9)
3 to 4 years	1.5	(0.3)	1.3	(0.4)
More than 4 years	3.2	-	3.9	(0.4)
	16.8	(3.8)	22.9	(5.0)
Total	152.4	(178.8)	212.2	(191.9)
Of which – non-current	145.3	(142.7)	197.9	(158.1)
Of which – current	7.1	(36.1)	14.3	(33.8)

A total of  $\in$ nil (2018:  $\in$ 4.1 million) was included within hedge reserves relating to hedges of financial instruments that settled during the year.

# For the year ended 31 December 2019

# 29. Other financial assets and financial liabilities continued

As at 31 December, the Group held the following financial instruments of the major foreign currency (FC) pairs to hedge its foreign exchange risk:

Cash flow hedges         USD         1.17         382.5         1.12         (404.0)         2.20         (206.7)         1.21         (404.0)         2.20         2.00		Average exchange rate 2019	Nominal amount 2019 FC m	Average exchange rate 2018	Nominal amount 2018 FC m
Mish   Lyear   Mish	Forward foreign exchange contracts		Buy/(Sell)		Buy/(Sell)
Within 1 year	Cash flow hedges				
1.02 years	USD/EUR		USD		USD
2 to 3 years	Within 1 year	1.19	(455.5)	1.17	(382.5)
3 to 4 years	1 to 2 years	1.20	(426.7)	1.21	(404.0)
More than 4 years   -	2 to 3 years	1.27	(170.0)	1.23	(206.7)
USD	3 to 4 years	1.33	(130.0)	1.31	(120.0)
Within 1 year         1.38         (230.7)         1.52         (2050)           1 to 2 years         1.34         (150.0)         1.41         (234.0)           2 to 3 years         1.36         (100.0)         1.45         (254.0)           3 to 4 years         1.40         (55.0)         1.36         (95.0)           More than 4 years         -         -         1.40         (55.0)           EUR GBP         EUR         EUR         EUR           Within 1 year         0.89         (50.0)         0.90         (114.0)           1 to 2 years         0.93         (68.0)         0.93         (30.0)           2 to 3 years         0.93         (68.0)         0.93         (30.0)           3 to 4 years         0.93         (68.0)         0.93         (69.0)           More than 4 years         0.93         (69.0)         0.95         (69.0)           More than 4 years         0.93         (68.0)         0.93         (30.0)           Note than 4 years         0.95         (42.0)         0.95         (69.0)           Within 1 year         1         2         2         2         2         2         2         2         2         2<	More than 4 years	-	-	1.33	(130.0)
1 to 2 years	USD/GBP		USD		USD
2 to 3 years	Within 1 year	1.38	(230.7)	1.52	(205.0)
1.40	1 to 2 years	1.34	(150.0)	1.41	(234.0)
1.40	2 to 3 years	1.36	(100.0)	1.35	(150.0)
EUR/GBP         EUR         EUR           Within 1 year         0.88         (5.00)         0.90         (114.0)           1 to 2 years         0.93         (44.0)         0.90         (30.0)           2 to 3 years         0.93         (68.0)         0.93         (30.0)           3 to 4 years         0.94         (50.0)         0.95         (20.0)           More than 4 years         0.95         (42.0)         0.95         (69.0)           Net investment hedges         USD	3 to 4 years	1.40	(55.0)	1.36	(95.0)
Within 1 year         0.89         (50.0)         0.90         (114.0)           1 to 2 years         0.93         (44.0)         0.90         (30.0)           2 to 3 years         0.93         (68.0)         0.93         (30.0)           3 to 4 years         0.94         (50.0)         0.95         (20.0)           More than 4 years         0.95         (42.0)         0.95         (69.0)           Net investment hedges           USD/GBP         USD         USD         USD         USD           Within 1 year         a         a         a         1.28         (227.6)           EUR/GBP         EUR         EUR         EUR         EUR         EUR         EUR         EUR         EUR         Within 1 year         a	More than 4 years	-	-	1.40	(55.0)
1 to 2 years	EUR/GBP		EUR		EUR
1 to 2 years	Within 1 year	0.89	(50.0)	0.90	(114.0)
2 to 3 years       0.93       (68.0)       0.93       (30.0)         3 to 4 years       0.94       (50.0)       0.95       (20.0)         More than 4 years       0.95       (42.0)       0.95       (69.0)         Wet than 4 years       0.95       (42.0)       0.95       (69.0)         Wet whether the deges         USD GBP       USD       USD       USD       USD       (27.6)         Fair value hedges         EUR/GBP       EUR       EUR       EUR         Within 1 year       -       -       0.89       200.0         Coss currency interest rate swaps         Cash flow hedges         EUR/GBP       EUR       EUR       EUR         Within 1 year       - <td< td=""><td></td><td>0.93</td><td>(44.0)</td><td>0.90</td><td>(30.0)</td></td<>		0.93	(44.0)	0.90	(30.0)
3 to 4 years         0.94         (50.0)         0.95         (20.0)           More than 4 years         0.95         (42.0)         0.95         (69.0)           Net investment hedges           USD/GBP         USD         USD         USD         USD         USD         USD         C27.6)         EUR	·	0.93	(68.0)	0.93	(30.0)
More than 4 years         0.95         (42.0)         0.95         (69.0)           Net investment hedges         USD         USD         USD           Within 1 year         -         1.28         (227.6)           Fair value hedges         EUR         EUR         EUR           Within 1 year         -         0.89         200.0           Cross currency interest rate swaps         EUR         EUR         EUR           Stafflow hedges         EUR         EUR         EUR           Within 1 year         -	·	0.94		0.95	(20.0)
Net investment hedges         USD         USD           Within 1 year         -         -         1.28         (227.6)           Fair value hedges         EUR         EUR         EUR         EUR         Within 1 year         -         -         0.89         200.0         200.0         -         -         0.89         200.0         -         -         0.89         200.0         -         -         0.09         200.0         -         -         0.09         200.0         -         -         0.09         200.0         -         -         0.09         200.0         -         -         0.09         200.0         -         -         0.09         200.0         -         -         -         0.00         -         -         -         -         -         0.00         -<		0.95		0.95	· · · · · ·
USD/GBP         USD         USD           Within 1 year         -         -         1.28         (227.6)           Fair value hedges         EUR         EUR         EUR           Within 1 year         -         -         0.89         200.0           Cross currency interest rate swaps         -         -         0.89         200.0           Cross currency interest rate swaps         -         -         0.89         200.0           Cross currency interest rate swaps         -         -         -         0.89         200.0           Cross currency interest rate swaps         -         -         -         0.89         200.0           Cross currency interest rate swaps         -         -         -         -         -           Cross currency interest rate swaps         -         -         -         -         -           EUR/GBP         EUR         EUR         EUR         - </td <td></td> <td></td> <td></td> <td></td> <td></td>					
Within 1 year         -         -         1.28         (227.6)           Fair value hedges         EUR         EUR         EUR           Within 1 year         -         -         0.89         200.0           Cross currency interest rate swaps         Cash flow hedges         EUR         EUR           EUR/GBP         EUR         EUR         EUR           Within 1 year         - <td>USD/GBP</td> <td></td> <td>USD</td> <td></td> <td>USD</td>	USD/GBP		USD		USD
Fair value hedges         EUR         EUR           Within 1 year         -         -         0.89         200.0           Cross currency interest rate swaps           Cash flow hedges           EUR/GBP         EUR         EUR           Within 1 year         -         -         -         -           1 to 2 years         0.74         525.0         -         -         -           2 to 3 years         0.71         250.0         0.75         625.0         3 to 4 years         0.71         250.0         0.75         625.0         3 to 4 years         0.71         250.0         0.75         625.0         0.7         0.71         250.0         0.75         625.0         0.7         0.71         250.0         0.75         625.0         0.7         0.71         250.0         0.75         625.0         0.7         0.71         250.0         0.75         625.0         0.7         0.71         250.0         0.7         0.71         250.0         0.7         0.71         250.0         0.7         0.71         250.0         0.7         0.71         250.0         0.7         0.7         0.7         0.7         0.7         0.7         0.7         0.	Within 1 year	-	_	1.28	
EUR/GBP         EUR         EUR           Within 1 year         -         -         0.89         200.0           Cross currency interest rate swaps           Cash flow hedges           EUR/GBP         EUR         EUR         EUR           Within 1 year         -         -         -         -         -           1 to 2 years         0.74         525.0         - <td< td=""><td></td><td></td><td></td><td></td><td></td></td<>					
Within 1 year         -         -         0.89         200.0           Cross currency interest rate swaps           EUR/GBP         EUR         EUR           Within 1 year         -	EUR/GBP		EUR		FUR
Cross currency interest rate swaps  EUR/GBP  Within 1 year  1 to 2 years  2 to 3 years  3 to 4 years  Cush flow hedges  EUR  EUR  EUR  EUR  EUR  EUR  1 to 2 years  1 to 3 years  1 to 2 years  1 to 3 years  1 to 2 years  1 to 3 years  1 to 3 years  1 to 4 years  1 to 5 years  1 to 6 years  1 to 6 years  1 to 7 years  1 to 8 years  1 to 9 years  1 to 9 years  1 to 1 years  1 to 9		_	-	0.89	
Cash flow hedges         EUR         EUR           Within 1 year         -         <					
EUR/GBP         EUR         EUR           Within 1 year         -         -         -         -           1 to 2 years         0.74         525.0         -         -           2 to 3 years         0.71         250.0         0.75         625.0           3 to 4 years         -         -         0.71         250.0           Net investment hedges         USD         USD         USD           Within 1 year         -         -         -         -         -           1 to 2 years         1.48         (575.7)         -         -         -           2 to 3 years         1.56         (276.5)         1.47         (687.1)           3 to 4 years         -         -         1.56         (276.5)           Designated in part as cash flow hedges and in part as net investment hedges           JPY/USD         JPY         JPY	Cross currency interest rate swaps				
Within 1 year       -       <	Cash flow hedges				
1 to 2 years       0.74       525.0       -       -         2 to 3 years       0.71       250.0       0.75       625.0         3 to 4 years       -       -       0.71       250.0         Net investment hedges       USD       USD         Within 1 year       -       -       -       -         1 to 2 years       1.48       (575.7)       -       -         2 to 3 years       1.56       (276.5)       1.47       (687.1)         3 to 4 years       -       -       -       1.56       (276.5)         Designated in part as cash flow hedges and in part as net investment hedges         JPY/USD       JPY       JPY			EUR		EUR
2 to 3 years       0.71       250.0       0.75       625.0         3 to 4 years       -       -       0.71       250.0         Net investment hedges       USD       USD         Within 1 year       -       1.56       (276.5)       -       -       -       1.56       (276.5)       -       -       -       1.56       (276.5)       -       -       -       -       1.56       (276.5)       -       -       -       1.56       (276.5)       -       -       -       -       1.56       (276.5)       -       -       -       -       1.56       (276.5)       -	Within 1 year	-	-	-	-
3 to 4 years       -       -       0.71       250.0         Net investment hedges         USD/GBP       USD       USD         Within 1 year       -	1 to 2 years	0.74	525.0	-	-
Net investment hedges           USD/GBP         USD         USD           Within 1 year         -         -         -         -           1 to 2 years         1.48         (575.7)         -         -         -           2 to 3 years         1.56         (276.5)         1.47         (687.1)           3 to 4 years         -         -         -         1.56         (276.5)           Designated in part as cash flow hedges and in part as net investment hedges           JPY/USD         JPY         JPY	2 to 3 years	0.71	250.0	0.75	625.0
USD/GBP         USD         USD           Within 1 year         -	3 to 4 years	-	-	0.71	250.0
Within 1 year       -       <	Net investment hedges				
1 to 2 years       1.48       (575.7)       -       -       -         2 to 3 years       1.56       (276.5)       1.47       (687.1)         3 to 4 years       -       -       -       1.56       (276.5)         Designated in part as cash flow hedges and in part as net investment hedges         JPY/USD       JPY       JPY	USD/GBP		USD		USD
2 to 3 years       1.56 (276.5)       1.47 (687.1)         3 to 4 years       -       -       1.56 (276.5)         Designated in part as cash flow hedges and in part as net investment hedges         JPY/USD       JPY       JPY	Within 1 year	-	-	-	-
3 to 4 years 1.56 (276.5)  Designated in part as cash flow hedges and in part as net investment hedges  JPY/USD JPY  JPY  JPY	1 to 2 years	1.48	(575.7)	-	-
Designated in part as cash flow hedges and in part as net investment hedges  JPY JPY  JPY	2 to 3 years	1.56	(276.5)	1.47	(687.1)
JPY/USD JPY JPY	3 to 4 years	-	_	1.56	(276.5)
	Designated in part as cash flow hedges and in part as net inve	stment hedges			
More than 4 years <b>102.30 20,000.0</b> 102.30 20,000.0	JPY/USD		JPY		JPY
	More than 4 years	102.30	20,000.0	102.30	20,000.0

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## **Notes to the Consolidated Financial Statements** continued

## For the year ended 31 December 2019

## 30. Provisions

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Other €m	Total €m
At 1 January 2019	1,001.7	611.9	114.8	48.1	1,776.5
Additional provision in the year	323.8	83.6	125.7	9.9	543.0
Unwinding of discount	42.3	24.8	2.1	-	69.2
Utilisation of provision	(42.5)	(8.9)	(85.0)	(10.1)	(146.5)
Release of provision	(88.8)	(9.7)	-	(5.3)	(103.8)
Transfers	1.4	-	-	-	1.4
Exchange difference	32.6	11.2	1.8	1.6	47.2
At 31 December 2019	1,270.5	712.9	159.4	44.2	2,187.0
Included in current liabilities					9.2
Included in non-current liabilities					2,177.8
					2,187.0
	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Other €m	Total €m
At 1 January 2018	882.0	484.5	109.2	38.9	1,514.6
Additional provision in the year	144.7	125.8	119.4	27.5	417.4
Unwinding of discount	37.2	19.4	2.3	-	58.9
Utilisation of provision	(34.5)	(8.9)	(117.9)	(15.7)	(177.0)
Release of provision	(29.2)	(8.8)	-	(2.6)	(40.6)
Transfers	-	-		-	-
Exchange difference	1.5	(0.1)	1.8	-	3.2
At 31 December 2018	1,001.7	611.9	114.8	48.1	1,776.5
Included in current liabilities					7.5
Included in non-current liabilities					1,769.0
					1,776.5

The net costs of nuclear provisions of €297.7 million (2018: €174.1 million) recognised in the consolidated income statement are set out below:

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Total €m
Additional provision in the year	212.5	-	125.7	338.2
Change in discount rates	111.3	31.7	-	143.0
Release of provision	(88.8)	(9.7)	-	(98.5)
Utilisation of provision	-	-	(85.0)	(85.0)
Charged to income statement 2019	235.0	22.0	40.7	297.7

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Total €m
Additional provision in the year	144.7	65.9	119.4	330.0
Change in discount rates	-	-	-	-
Release of provision	(29.2)	(8.8)	-	(38.0)
Utilisation of provision	-	-	(117.9)	(117.9)
Charged to income statement 2018	115.5	57.1	1.5	174.1

#### For the year ended 31 December 2019

#### 30. Provisions continued

## Discount Rates for tails and decommissioning provisions

Management has considered the applicable inflation rate and the risk free discount rate and concluded that these should be calculated on a jurisdiction specific basis as follows:

	Inflation Rate	Nominal Discount Rate	<b>Real Discount Rate</b>
USA	2.00%	4.00%	1.96%
UK	2.00%	3.50%	1.47%
Germany	1.50%	3.00%	1.48%
The Netherlands	1.75%	3.00%	1.23%

In 2018, the applicable rates in all jurisdictions were 2.00% inflation, 4.00% nominal discount rate and 1.96% real discount rate.

#### Provision for tails

The enrichment process generates depleted uranium ('tails'). Provision has been made on a discounted basis for the eventual safe disposal of the tails. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal and include the depreciation of capital cost of the facility that will perform these tasks.

The final amount of the provision is currently uncertain (as detailed in note 2 within the critical accounting judgements and key sources of estimation uncertainty) but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with regulatory requirements. The planned costs are based on historic experience, operational assumptions, internal cost forecasts and third party contract prices for the relevant parts of the disposal cycle. A key area of uncertainty remains the unit cost of deconversion in Europe which will remain uncertain until such time that the TMF project has been completed and the deconversion plant has been commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by €56.0 million and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by €56.0 million. The availability and cost of a repository suitable for the final disposal of depleted U<sub>3</sub>O<sub>8</sub> is a key judgement and the level of uncertainty varies widely across the four countries in which Urenco operates. These costs are escalated where appropriate based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the statement of financial position date. Further description of the estimates and assumptions applied are given in note 2. A key area of uncertainty in the US remains the rate charged by the US Department of Energy (DOE) for the deconversion, storage and disposal of tails which will remain uncertain until such time that these activities are performed. A 10% increase in the forecast DOE rate would increase tails provisions by €20.4 million and a 10% decrease in the forecast DOE rate would decrease tails provisions by €20.4 million.

During the year the tails provision increased by  $\le 323.8$  million (2018:  $\le 144.7$  million) due to tails generated in that period, an increase in the applied tails rate and a change in discount rates. This addition to the tails provision has been recognised as a cost in the income statement under net costs of nuclear provision movements. Expenditure incurred during the year for the safe deconversion, storage and disposal of tails of  $\le 42.5$  million (2018:  $\le 34.5$  million) have been utilised against the provision. A provision release of  $\le 88.8$  million (2018:  $\le 29.2$  million) was recorded reflecting the impact of a review of various key underlying assumptions, an optimisation of operations and the impact of the reduction in higher assay tails, associated with enrichment service contracts.

It is expected that €506.7 million of the tails provision will be used within the next 10 years, €522.6 million of the provision will be used within the next 10 to 30 years and €241.2 million will be used within the next 30 to 100 years. The tails provisions held at 31 December 2019 comprised €889.8 million (2018: €684.4 million) of discounted future cash flows and €380.7 million (2018: €317.3 million) of discounted future depreciation of assets currently at cost held for the purpose of meeting tails liabilities.

The provision for tails disposal is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount and inflation rates. A 0.25% reduction in the real discount rate would lead to an increase of the provision by €79.2 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €66.8 million. A delay of 5 years to all disposal activities would reduce the provision by €98.7 million and an advancement by 5 years of all disposal activities would lead to an increase in the provision of €91.5 million.

## Provision for decommissioning of plant and machinery

The Directors intend to decommission plant and machinery as soon as practicably possible after it is taken out of use. The enrichment plants will be disassembled, declassified, decommissioned and the sites returned to 'greenfield' or 'brownfield' status. Uranium containers will be cleaned, dismantled and scrapped. To meet these eventual costs of decommissioning, provisions are recognised in the financial statements, for all plant and machinery in operation, at amounts considered to be adequate for the purpose.

The final amount of the provision is currently uncertain but is evaluated based upon the planned operational activity involved in successfully achieving full decommissioning of any plant or equipment used in enrichment activities, in accordance with the Directors' intention and regulatory requirements. The planned costs are based on historic experience and price estimates for the relevant activities and processes of the decommissioning cycle, which include deconstruction, decontamination and disposal of all materials involved in the enrichment process. A key area of uncertainty remains the cost for disposal of waste streams arising from the decommissioning process. A 10% increase/decrease in either the volume or cost of waste to be disposed of would increase/decrease decommissioning provisions by €17.1 million. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use and timing of subsequent decommissioning activity. Further description of the estimates and assumptions applied are given in note 2.

#### Financial statements

#### Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

#### 30. Provisions continued

During the year the decommissioning provision increased by €83.6 million (2018: €125.8 million) due to the installation of additional plant and machinery of €13.6 million (2018: €0.3 million), additional container purchases of €3.7 million (2018: €2.5 million) and €66.3 million due to revised assumptions surrounding the decommissioning of plant and machinery (2018: €123.0 million). Of the €66.3 million (2018: €123.0 million) resulting from revised assumptions, €31.7 million (2018: €65.9 million) has been expensed to the Income Statement and €34.6 million (2018: €57.1 million) has been recognised in decommissioning assets. The impact of the revised assumptions of €66.3 million mainly related to the impact of the change in discount rates of €64.9 million, of which €31.7million has been expensed to the Income Statement and €33.2 million has been recognised in decommissioning assets. The addition to the decommissioning provision associated with the installation of plant and machinery and additional container purchases has been recognised as an equivalent addition to the decommissioning asset in the statement of financial position.

It is expected that this provision will be used over the next five to 50 years.

The provision for decommissioning plant and machinery is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount and inflation rates. A 0.25% reduction in the real discount rate would lead to an increase of the provision by €39.3 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €35.7 million. A delay of 5 years to all decommissioning activities would reduce the provision by €54.1 million and an advancement of all decommissioning activities would lead to an increase in the provision of €50.3 million.

## Re-enrichment of low assay feed

Provisions for the future re-enrichment of low assay feed are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work. This cost includes the safe disposal of any resultant tails material. During the year, the provisions relating to the future re-enrichment of low assay feed increased by €125.7 million (2018: €119.4 million) due to the creation of low assay feed and reduced by €85.0 million (2018: €117.9 million) due to expenditure incurred on the re-enrichment of low assay feed. Both the increase and reduction are reported within net nuclear provision movements.

#### Other provisions

These comprise provisions relating to restructuring provisions and other personnel provisions, and a specific counterparty provision. The other provisions include an amount of €4.0 million (2018: €8.2 million) for restructuring costs, mainly relating to expected severance payments to be made, see also note 6. During the year €1.8 million of the restructuring provisions was utilised for severance payments and an amount of €2.9 million was released. Uncertainties exist around the exact amount and timing of cash outflows as elements of the restructuring programme are subject to employee consultation procedures. Of the total amount it is estimated that €2.9 million will be paid within one year and the remainder of €1.1 million after one year.

It is expected that all other provisions will be used over the next ten years. These other provisions are not materially sensitive to discount rates.

#### For the year ended 31 December 2019

## 31. Retirement benefit obligations

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. During the year, the Group sponsored defined benefit plans for qualifying employees of its subsidiaries in the UK, Germany and the Netherlands and defined contribution schemes in the UK, the Netherlands and USA. The defined benefit schemes comprise both funded and unfunded schemes. No other post-retirement benefits are currently provided by the Group. ETC forms part of Urenco's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis by employee to enable correct accounting across the subsidiaries.

The defined benefit plans are administered by separate funds which are legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

In the first half of 2019 the assets and liabilities of the Dutch defined benefit pension scheme were transferred to Pensioenfonds Grafische Bedrijven ("PGB"), a multi-employer pension scheme. This transfer had no net financial impact on retained earnings. However, it resulted in a gain of €6.9 million to other comprehensive income, representing the recognition of the surplus net pension assets that were previously not recognised and a loss of €6.9 million to the income statement. This loss comprised the curtailment gain of €14.9 million offset by a settlement loss of €21.8 million and has been presented as pension costs within employee costs. The PGB has all the features of a defined contribution pension scheme and therefore accounting for this scheme following the transfer will be done on that basis.

The transfer to PGB and the corresponding liquidation of Urenco Nederland BV's (UNL) own company pension fund ("SPUN"), was the result of a process of three years, in which the board of SPUN, the board of UNL and the employees working council worked together. The aim was to reduce the effort, both by the employer and the employees involved in the governance of UNL's pension arrangements to maintain a dedicated company pension fund and to increase larger scale efficiencies. The resulting financial gain is estimated at approximately €0.7 million per year, which is equally shared between the employee and UNL, in the form of lower contributions.

Valuations of the schemes are carried out at least every three years. The most recent actuarial assessments for the UK scheme of plan assets and the present value of the defined benefit obligations were carried out at 5 April 2018 and subsequently rolled forward to 31 December 2019. Following the triennial valuation of the UK schemes in April 2018, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of €6.6 million annually for five years, until 2022. Urenco closed the UK defined benefit section for further accrual from 5 April 2017 for most Group employees following consultations with employees and their representatives and the pension scheme trustees.

Actuarial assessments of plan assets and the present value of the defined benefit obligations are due to be carried out in accordance with the regulatory timetable of the relevant country. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key financial assumptions used:	2019 %	2018
Discount rate	1.0-2.1	1.8-2.9
Expected rate of salary increases	2.3-4.2	2.3-4.4
Future pension increases	1.5-4.2	1.1-3.4

In addition to the key financial assumptions shown above, the Group reviews the demographic and mortality assumptions. Mortality assumptions reflect best practice in the countries in which the Group operates defined benefit schemes (the Netherlands, UK and Germany) and have regard to the latest available published tables, adjusted where appropriate, to reflect the experience of the Group and an extrapolation of past longevity improvements into the future. The tables used and key assumptions are as follows:

	1	Netherlands		UK		Germany
Mortality assumptions:	2019 years	2018 years	2019 years	2018 years	2019 years	2018 years
Life expectancy at age 60 for a male currently aged 60	-	26.4	29.2	29.1	24.8	24.6
Life expectancy at age 60 for a female currently aged 60	-	28.3	30.6	30.4	28.6	28.5
Life expectancy at age 60 for a male currently aged 40	-	28.8	31.2	31.1	27.8	27.6
Life expectancy at age 60 for a female currently aged 40	-	30.6	32.5	32.4	30.9	30.8

Mortality tables:	Netherlands	UK	Germany
2019	AG Prognosetafel 2018 with WTW fund specific mortality experience 2016	S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.	Heubeck table 2018 G
2018	AG Prognosetafel 2018 with WTW fund specific mortality experience 2016	S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.	Heubeck table 2018 G

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## Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

## 31. Retirement benefit obligations continued

#### Risks

The liabilities of all defined benefit pension plans expose the Group to risks of longevity, inflation and the discount rate. The related assets of the defined benefit plans in the UK expose the Group to market price volatility and default risk regarding the investments held by this pension fund. The German pension plans do not have related pension assets and therefore do not result in an exposure for the Group, aside from the risks related to the liabilities detailed above. As the Dutch defined benefit pension plan ceased to exist during the year, there were also no exposures to related pension assets as at 31 December 2019.

#### Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2019 for the Group's retirement benefit schemes would have had the effects shown in the table below. The sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

		(Increase)/decrease in retirement benefit obligations €m
Discount rate	Effect of increase in discount rate by +0.25% at 31 December 2019	19.3
	Effect of decrease in discount rate by -0.25% at 31 December 2019	(23.2)
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2019	(19.8)
	Effect of decrease in inflation rate by -0.25% at 31 December 2019	19.4

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Current service cost	(6.6)	(8.0)
Administrative expense paid from scheme assets	(0.1)	(0.5)
Net interest expense on defined benefit pension scheme	(1.0)	(2.2)
Past service cost	(7.8)	(5.5)
	(15.5)	(16.2)

The net interest cost charge for the year has been included in the consolidated income statement within finance costs.

The amount charged to income in respect of defined contribution pension schemes was €8.0 million (2018: €7.3 million).

The actual return on scheme assets was a gain of €55.4 million (2018: loss of €6.6 million).

Amounts recognised in the statement of comprehensive income in respect of these defined benefit schemes are as follows:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Actuarial (losses)/gains	(16.9)	51.1
Exchange difference	(1.5)	0.1
	(18.4)	51.2

## For the year ended 31 December 2019

## 31. Retirement benefit obligations continued

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit schemes is as follows:

Movement in present value of defined benefit obligation			2019 €m			2018 €m
	Total	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes
At 1 January	(672.0)	(644.2)	(27.8)	(740.1)	(711.8)	(28.3
Current service cost	(6.6)	(6.0)	(0.6)	(8.0)	(7.3)	(0.7)
Past service cost	(0.9)	(0.9)	-	(5.5)	(5.5)	
Interest cost	(12.0)	(11.5)	(0.5)	(17.1)	(16.7)	(0.4
Actuarial gains/(losses)	(61.3)	(58.0)	(3.3)	72.6	72.0	0.6
Benefits paid to members	13.1	12.2	0.9	23.1	22.1	1.0
Contributions by members	4.5	4.5	-	(1.0)	(1.0)	
Dutch pension curtailments	264.9	264.9	-	-	-	
Settlements	14.9	14.9	-	-	-	
Transfers	-	0.0	-	-	-	
Foreign exchange	(25.9)	(25.9)	-	4.0	4.0	
At 31 December	(481.3)	(450.0)	(31.3)	(672.0)	(644.2)	(27.8
Movements in the fair value of plan assets					2019	2018
At 1 January Interest income Actuarial gains/(losses)				•	€m 26.0 11.0 44.4	€m 642.8 14.9 (21.5)
At 1 January Interest income Actuarial gains/(losses) Contributions by employer				•	26.0 11.0 44.4 8.8	642.8 14.9 (21.5) 15.5
At 1 January Interest income Actuarial gains/(losses) Contributions by employer Contributions by members					26.0 11.0 44.4 8.8 0.2	642.8 14.9 (21.5) 15.5 1.0
At 1 January Interest income Actuarial gains/(losses) Contributions by employer Contributions by members Benefits paid to members				(1	26.0 11.0 44.4 8.8 0.2 3.2)	642.8 14.9 (21.5) 15.5 1.0
At 1 January Interest income Actuarial gains/(losses) Contributions by employer Contributions by members Benefits paid to members Dutch pension curtailments				(1 (27	26.0 11.0 44.4 8.8 0.2 3.2)	642.8 14.9 (21.5) 15.5 1.0
At 1 January Interest income Actuarial gains/(losses) Contributions by employer Contributions by members Benefits paid to members Dutch pension curtailments Settlements				(1 (27 (1	26.0 11.0 44.4 8.8 0.2 3.2) (1.8) 3.6)	642.8 14.9 (21.5) 15.5 1.0 (22.1)
At 1 January Interest income Actuarial gains/(losses) Contributions by employer Contributions by members Benefits paid to members Dutch pension curtailments Settlements Administrative expenses paid from scheme assets				(1 (27 (1	26.0 11.0 44.4 8.8 0.2 3.2) 11.8) 3.6) (0.1)	642.8 14.9 (21.5) 15.5 1.0 (22.1)
At 1 January Interest income Actuarial gains/(losses) Contributions by employer Contributions by members Benefits paid to members Dutch pension curtailments Settlements				(1 (27 (1	26.0 11.0 44.4 8.8 0.2 3.2) (1.8) 3.6)	642.8 14.9 (21.5)

	2019 €m	2018 €m
Present value of defined benefit obligation	(481.3)	(672.0)
Fair value of plan assets	416.1	626.0
Recognised liability at 31 December	(65.2)	(46.0)

The major categories and fair values of scheme assets at 31 December for each category are as follows:

		Fair value of assets
	2019 €m	2018 €m
Equity instruments	196.8	245.8
Debt instruments	219.3	368.9
Other assets	-	11.3
	416.1	626.0

Other assets primarily relate to the mark to market position on the LDI swap portfolio.

Experience adjustments (surplus/deficits) arise where actuarial assumptions made at a previous valuation have not been borne out in practice.

The estimated amount of contributions expected to be paid to the schemes during the current financial year (2020) is €8.4 million.

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## Notes to the Consolidated Financial Statements continued

#### For the year ended 31 December 2019

## 32. Trade and other payables

#### Current

	31/12/19 €m	31/12/18 €m
Trade payables	47.6	55.6
Other payables	59.1	36.7
Accruals	80.9	109.5
Amounts due to joint venture	63.0	53.6
	250.6	255.4

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2018: 27 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

#### Non-current

	31/12/19 €m	31/12/18 €m
Other payables	-	41.4

Non-current other payables comprised SWU inventory borrowed from third parties for the purpose of optimising Urenco's production flexibility. The SWU borrowings as at 31 December 2019 have been classified as current payables as they are expected to be returned in 2020.

## 33. Contingent assets

The Group has made claims for compensation of loss of future revenue from a customer who went into Chapter 11 bankruptcy proceedings in 2018. The Group's assessment as at year end was that it is probable that a maximum amount of approximately €43.0 million will be received in due course following approval of these claims by the Bankruptcy Court and approval of the customer reorganisation plan in October 2019; however, the receipt of this income was not virtually certain at 31 December 2019 and was then dependent on a number of substantive conditions precedent to be met which are not under the control of the Group or the customer. Subsequent to year end, the Bankruptcy Court issued a notice confirming these conditions precedent had been met on 27 February 2020. Accordingly, as the conditions precedent had not been met at year end, the claim has not been recognised in the Group's financial statements.

#### For the year ended 31 December 2019

## 34. Contingent liabilities

There are no material contingent liabilities as at 31 December 2019 (2018: nil).

## 35. Events after the statement of financial position date

On 31 January 2020 the UK left the European Union, beginning a transition period set to end on 31 December 2020, during which the UK and European Union will negotiate their future relationship. We are well prepared for the UK's full withdrawal from the European Union and Euratom Treaty and do not anticipate major adverse consequences.

As of 11 March 2020, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2019 financial statements

## 36. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

Transactions with the Urenco pension scheme are detailed in note 31.

During the year, Group companies entered into the following transactions with the following related parties who are not members of the Group:

	Sales of goods and services		Purchases of assets, goods and services		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/19 €m	Year ended 31/12/18 €m	Year ended 31/12/19 €m	Year ended 31/12/18 €m	31/12/19 €m	31/12/18 €m	31/12/19 €m	31/12/18 €m
BEIS	35.9	52.7	-	1.8	3.0	4.6	-	-
E.ON	5.0	-	15.5	-	-	-	-	-
RWE	-	-	0.3	15.7	-	-	-	1.3
ETC <sup>(i)</sup>	-	-	72.9	80.6	0.2	0.2	63.0	53.6

These amounts are 100% of the sales/purchases and amounts due to Enrichment Technology Company Limited.

The Department for Business, Energy & Industrial Strategy (BEIS), E.ON SE (E.ON) and RWE AG (RWE) are all related parties of the Group because of their indirect shareholdings in Urenco Limited. The amounts reported under BEIS include transactions with the NDA. Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made and no expense incurred for doubtful debts in respect of the amounts owed by related parties.

The Enrichment Technology Company Limited pension scheme is administered as part of the Urenco pension scheme. Included in Urenco's share of results of Joint Venture and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in the share of results of joint venture in respect of the defined benefit schemes is a charge of  $\leq$ 4.0 million relating to the Joint Venture (2018:  $\leq$ 2.6 million). Included in the share of net assets of the Joint Venture as a recognised liability is  $\leq$ 25.9 million relating to the defined benefit pension obligations of the Joint Venture (2018:  $\leq$ 20.1 million).

During the year, Group companies contributed €14.4 million (2018: €21.0 million) for the benefit of employees into post-employment benefit plans.

#### Financial statements

## Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2019

## 36. Related party transactions continued

## Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 55.

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Short term employee benefits	3.0	3.1
	3.0	3.1

## Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, as detailed in the Remuneration report on page 55.



# Financial statements COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2019

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# **DIRECTORS' RESPONSIBILITIES STATEMENT**

### For the year ended 31 December 2019

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard (FRS) 101 "Reduced Disclosure Framework" and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

Ralf ter Haar Director

11 March 2020

# **COMPANY STATEMENT OF FINANCIAL POSITION**

For the year ended 31 December 2019

	Notes	2019 €m	2018 €m
Non-current assets			
Property, plant and equipment	5	18.9	7.1
Intangible assets	6	2.7	5.0
Investments in subsidiaries and associate	7	294.9	294.9
Amounts due from Group undertakings	8	2,755.3	3,373.6
Deferred tax asset	3	37.7	3.5
Derivative financial instruments	14	167.7	224.1
		3,277.2	3,908.2
Current assets			
Amounts due from Group undertakings	8	719.4	287.2
Trade and other receivables	8	188.3	179.4
Derivative financial instruments	14	41.6	39.6
Short term deposits	9	464.1	-
Cash and cash equivalents	10	316.9	526.3
		1,730.3	1,032.5
Total assets		5,007.5	4,940.7
Current liabilities			
Amounts due to Group undertakings - restated <sup>(i)</sup>	12	(1,655.9)	(1,425.3)
Trade and other payables - restated <sup>(i)</sup>	13	(95.3)	(86.2)
Lease liabilities		(0.7)	-
Derivative financial instruments	14	(41.1)	(37.9)
		(1,793.0)	(1,549.4)
Non-current liabilities			
Interest bearing loans and borrowings	11	(164.0)	(159.2)
Amounts due to Group undertakings	12	(1,557.6)	(1,798.2)
Derivative financial instruments	14	(157.4)	(167.0)
Other payables		(2.1)	(4.3)
Lease liabilities		-	-
Retirement benefit obligations	15	(4.2)	(0.2)
		(1,885.3)	(2,128.9)
Total liabilities		(3,678.3)	(3,678.3)
Net assets		1,329.2	1,262.4
Equity			
Share capital	16	237.3	237.3
Retained earnings	17	1,087.7	1,011.5
Hedging reserve	17	4.2	13.6
Total equity		1,329.2	1,262.4

<sup>(</sup>i) Monies received on behalf of subsidiaries in respect of future revenues have been presented in current amounts due to Group undertakings in the current year and the prior year comparative has been restated accordingly, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised. The prior year restatement is a €49.4 million reclassification from Trade and other payables to current amounts due to Group undertakings, which did not have any impact on net income or equity.

Registered Number 01022786

The net income for the financial year of the Parent Company amounts to €314.9 million (2018: €451.3 million).

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020.

They were signed on its behalf by:

Boris Schucht
Chief Executive Officer

Ralf ter Haar **Chief Financial Officer** 

# **COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

Equity dividends paid (note 4)

As at 31 December 2018

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2019	237.3	1,011.5	13.6	1,262.4
Income for the period	-	314.9	-	314.9
Other comprehensive income/(loss) (note 17)	-	61.3	(9.4)	51.9
Total comprehensive income/(loss)	-	376.2	(9.4)	366.8
Equity dividends paid (note 4)	-	(300.0)	-	(300.0)
As at 31 December 2019	237.3	1,087.7	4.2	1,329.2
	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 31 December 2017		earnings	reserve	the owners of the Company
As at 31 December 2017 Transition adjustments on adoption of IFRS 9		earnings €m	reserve €m	the owners of the Company €m
		earnings €m 1,064.0	reserve €m	the owners of the Company €m 1,303.5
Transition adjustments on adoption of IFRS 9	€m 237.3	earnings €m 1,064.0 (2.0)	reserve €m 2.2	the owners of the Company €m 1,303.5 (2.0)
Transition adjustments on adoption of IFRS 9 As at 1 January 2018	€m 237.3	earnings €m 1,064.0 (2.0) 1,062.0	reserve €m 2.2	the owners of the Company €m 1,303.5 (2.0) 1,301.5

(300.0)

1,011.5

237.3

(300.0)

1,262.4

13.6

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

#### For the year ended 31 December 2019

### 1. Significant accounting policies

### General information

Urenco Limited ("the Company") is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate parent company and controlling party of the Group. The address of its registered office is given on page 160. Its main activity is that of a holding company for the Group's operations.

### Basis of preparation and presentation

The separate financial statements of the Parent Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard (FRS) 101 "Reduced Disclosure Framework".

The accounts are prepared under the historical cost basis, except for those financial instruments which have been measured at fair value.

The Company's financial statements are presented in euros. This is consistent with the presentation of the Group consolidated financial statements. The functional currency is sterling as that is the primary economic environment in which the company operates.

No Company income statement or statement of comprehensive income is presented for Urenco Limited, as permitted under section 408 of the Companies Act 2006.

The Company has applied FRS 101 "Reduced Disclosure Framework" incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not yet effective, presentation of financial statements, fair value measurement, revenue recognition, leases, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Urenco Limited. The auditor's remuneration for audit and other services is disclosed in note 5 to the Group's consolidated financial statements.

### Adoption of new and revised accounting standards

### Amendments to accounting standards that are mandatorily effective for the current year

The accounting policies adopted in the preparation of the Company's annual financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except as follows:

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

The following new standards and interpretations became effective from 1 January 2019:

International Accounting Standards (IFRS/IAS)	IASB Effective Date  – periods commencing on or after	EU-endorsed Effective Date – periods commencing on or after
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 28: Long term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019

#### For the year ended 31 December 2019

1. Significant accounting policies continued

### Assessment of impact

The Directors have reviewed the changes to accounting standards as listed in the table above and have assessed that with the exception of the adoption of IFRS 16, these changes have not had any impact on the financial statements of the Company.

#### **IFRS 16 Leases**

The Company is a lessee, mainly for property and land lease rentals and has adopted IFRS 16 for all accounting periods beginning on 1 January 2019. The Company has applied this standard based on the modified retrospective method with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of retained earnings. The Company has not restated comparative information. No additional arrangements have been identified which fall within the definition of a lease under IFRS 16.

On the transition date the Company has elected two practical expedients, to apply a single discount rate to the leases with reasonably similar characteristics in terms of remaining lease term and class of underlying asset and to grandfather the Company's lease assessment under IFRIC 4.

Under IFRS 16, the distinction between finance ("on balance sheet") and operating ("off balance sheet") leases has been removed for lessees. Virtually all future leases will have to be recorded as a liability for the future lease payments and an asset for the right-to-use the underlying asset on the balance sheet.

The liability will be recorded as the present value of the future contracted cash obligations discounted by the Company's incremental borrowing rate, which, at the date of initial application, was 4.0%. The same value will be capitalised as a related right-to-use asset, which will be depreciated.

The nominal value of the operating lease commitments at 31 December 2018 applying IAS 17 was €1.4 million. The present value of this amount, discounted using the incremental borrowing rate at the date of initial application of IFRS 16 was €1.3 million. Payments made of €0.6m reduced the lease liabilities to €0.7 million at 31 December 2019, and they are presented separately from other liabilities, within current liabilities.

The Group has presented the right-of-use assets within Property, Plant and Equipment, with each item included within the same asset category within which the corresponding underlying assets would be presented if they were owned. The right-of-use assets at 31 December 2019 were €0.7 million.

The total expense recognised in the income statement for the year 2019 was €0.6 million, comprised of depreciation on the right-of-use assets of €0.6 million.

### Going concern

As discussed in the Directors' Report, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Taxation**

The charge for tax is based on the result for the year and takes into account deferred tax.

Deferred tax is recognised in respect of all temporary differences that have originated but not been reversed by the reporting date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the reporting date. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is not provided on temporary differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings.

A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates or laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

### Foreign currencies

The Company's functional currency is sterling because that is the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in euros as that is the same presentational currency of the Group to which it belongs. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date, with all differences being taken to profit and loss. All other translation differences are taken to total comprehensive income. The average sterling to euro rate for 2019 was £0.88 to €1 (2018: £0.89 to €1) and the year-end rate was £0.85 to €1 (2018: £0.90 to €1).

#### Financial statements

### **Notes to the Company Financial Statements** continued

### For the year ended 31 December 2019

### 1. Significant accounting policies continued

### Property, plant, equipment and depreciation

Property, plant and equipment are included at cost less depreciation. Depreciation is charged so as to write off the cost of assets less their residual values, other than freehold land and assets under construction, over their estimated useful lives or in the event of right-of-use assets, over the shorter of the useful life of the underlying asset and the lease term, using the straight-line method, on the following basis:

Asset Type	Property, plant and equipment	Right-of-use assets
Buildings	12 – 40 years	2 – 40 years
Fixtures and fittings	12 years	12 years
Motor vehicles	4 years	4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### Leases

The Company assesses whether a contract is a lease or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability, with respect to all lease agreements in which it is the lessee, except for short term leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. Subsequently they are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within Property, Plant and Equipment, with each item included within the same asset category within which the corresponding underlying assets would be presented if they were owned.

### Intangible fixed assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised within computer equipment. Depreciation of these capitalised project costs takes place on a straight-line basis, based on a useful economic life of five years, with no residual value.

### Investments

Investments in subsidiary undertakings are held at cost, less accumulated impairment losses (if any). The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the investment's recoverable amount. The recoverable amount is the higher of the amount at which the investment could be disposed of, less any direct selling costs, and value in use. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Any impairment loss is recognised as an expense immediately. If, after an impairment loss has been recognised, the recoverable amount of an investment increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised as income to the extent that it increases the carrying amount of the investment up to the amount that it would have been had the original impairment not occurred.

### Short term bank deposits

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

### Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash equivalents comprise on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value

#### For the year ended 31 December 2019

### 1. Significant accounting policies continued

### Derivative financial instruments

The Company enters into derivative financial instruments in order to manage foreign exchange risk on behalf of Urenco Group. Additionally the Company uses interest rate swaps and cross currency interest rate swaps. Further details of derivative financial instruments are disclosed in note 14.

Derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gains or losses are recorded as finance income or finance costs unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of recognition in the income statement depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterpart credit risk and own credit risk.

### Retirement benefit obligations

The Company operates a defined benefit pension scheme for the benefit of all employees who started their employment prior to 31 December 2007. For employees joining the Company after this date, the Company operates a defined contribution scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. On 10 August 2009, the Company's defined benefit scheme merged with the Urenco UK pension scheme.

Regarding the defined benefit scheme, in accordance with IAS 19, the Company has recognised the retirement benefit obligations. The scheme, which is funded by contributions partly from the employees and partly from the Company, is administered independently.

The cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each reporting date. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. They are recognised directly in retained earnings and included as a movement in the present value of the net defined benefit liability.

Past service cost is recognised immediately as an expense to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

Scheme assets are measured at fair value, which is based upon market price information, and in the case of quoted securities is the published bid price.

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recorded on a net basis as net finance income or expense.

### Critical accounting judgements and key sources of estimation uncertainty

In the process of preparing financial statements, management are required to make significant estimates, assumptions and judgements that can have a significant impact on the financial statements.

Management has identified a significant estimate in the preparation of the Company financial statements, being the determination of the expected credit losses (ECLs) on financial assets. The key estimate in the calculation of a particular ECL is the probability weighting applied to the scenarios used. The value of the ECL and sensitivity analysis is disclosed in note 8.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about life expectancies, discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long-term nature of these plans, such key estimates are subject to significant uncertainty. Please see note 15.

No critical accounting judgements were identified.

### 2. Employee benefits expense

The average monthly number of Company employees (including Executive Directors) was:	2019 Number	2018 Number
Technical	32	32
Administration	102	105
	134	137

### Financial statements

### Notes to the Company Financial Statements continued

### For the year ended 31 December 2019

### 2. Employee benefits expense continued

Their aggregate remuneration comprised:	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Wages and salaries	21.4	22.2
Social security costs	2.5	2.2
Pension costs	1.0	1.2
	24.9	25.6

Directors' emoluments (see page 56):	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Emoluments	3.0	3.1
Amounts receivable under long term incentive scheme	0.5	2.3
	Number	Number
Members of defined contribution schemes	3	2

In respect of the highest paid Director:	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Emoluments including pension	1.5	3.5

### 3. Taxation

### Deferred tax

Deferred tax balances recognised at 31 December 2019 and 31 December 2018 are as follows:	2019 €m	2018 €m
Relating to property, plant and equipment and intangible assets	(0.6)	(0.3)
Relating to tax losses	24.0	1.7
Relating to short term temporary differences	8.5	1.1
Relating to fair value movements on financial instruments	5.1	0.8
Relating to retirement benefits	0.7	0.2
Total deferred tax asset	37.7	3.5

The deferred tax credit recognised in the income statement was €28.2 million (2018: tax credit €5.8m).

### 4. Dividends paid and proposed

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2018 of 178.57 cents per share (2017: 178.57 cents per share)	300.0	300.0
	300.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2019 of 178.57 cents per share (2018: 178.57 cents per share)	300.0	300.0

The 2019 final dividend of €300 million is subject to approval by shareholders at the Annual General Meeting on 11 March 2020 and has not been included as a liability in these financial statements.

### For the year ended 31 December 2019

### 5. Property, plant and equipment

	Freehold land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 31 December 2018	-	6.6	5.8	-	12.4
Adjustment for IFRS 16 adoption	1.2	-	-	0.1	1.3
Cost as at 1 January 2019	1.2	6.6	5.8	0.1	13.7
Additions	-	-	11.2	-	11.2
Exchange adjustments	-	0.4	0.5	-	0.9
Cost as at 31 December 2019	1.2	7.0	17.5	0.1	25.8
Depreciation as at 1 January 2019	-	5.3	-	-	5.3
Charge for the year	0.6	0.7	-	-	1.3
Exchange adjustments	-	0.3	-	-	0.3
Depreciation as at 31 December 2019	0.6	6.3	-	-	6.9
Carrying amount as at 31 December 2018	-	1.3	5.8	-	7.1
Carrying amount as at 31 December 2019	0.6	0.7	17.5	0.1	18.9

All land, buildings and other items of property, plant and equipment are carried at historical cost less accumulated depreciation. The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

From 1 January 2019, following the adoption of IFRS 16, right-of-use assets have been included within property, plant and equipment, see the following table for further details.

	Freehold land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 31 December 2018	-	-	-	-	-
Adjustment for IFRS 16 adoption	1.2	-	-	0.1	1.3
Cost as at 1 January 2019	1.2	-	-	0.1	1.3
Additions	-	-	-	-	-
Exchange adjustments	-	-	-	-	-
Cost as at 31 December 2019	1.2	-	-	0.1	1.3
Depreciation as at 1 January 2019	-	-	-	-	-
Charge for the year	0.6	-	-	-	0.6
Exchange adjustments	-	-	-	-	-
Depreciation as at 31 December 2019	0.6	-	-	-	0.6
Carrying amount as at 1 January 2019	-	-	-	-	-
Carrying amount as at 31 December 2019	0.6	-	-	0.1	0.7

### 6. Intangible assets

	Software assets €m
Cost as at 1 January 2019	14.8
Transfers	0.1
Exchange adjustments	0.9
Cost as at 31 December 2019	15.8
Amortisation as at 1 January 2019	9.8
Charge for the year	2.6
Exchange adjustments	0.7
Amortisation as at 31 December 2019	13.1
Carrying amount as at 1 January 2019	5.0
Carrying amount as at 31 December 2019	2.7

### Notes to the Company Financial Statements continued

### For the year ended 31 December 2019

#### 7. Investments in subsidiaries and associate

Share in subsidiary and associated undertakings &m

Cost as at 1 January 2019 and 31 December 2019

Impairment as at 1 January 2019 and 31 December 2019

Carrying amount as at 1 January 2019 and 31 December 2019

Carrying amount as at 1 January 2019 and 31 December 2019

294.9

Details of the Company's subsidiaries and associate at 31 December 2019 are as follows:

	Nature of business	Registered office	Note	Proportion of ownership interest and voting power held %
Name of subsidiary				
Urenco Enrichment Company Limited	Holding / central services	(1)		100
Urenco UK Limited	Enrichment services	(2)	(i)	100
Urenco ChemPlants Limited	Deconversion	(2)		100
Urenco Deutschland GmbH	Enrichment services	(3)	(i)	100
Urenco Nederland BV	Enrichment services	(4)	(i)	100
Urenco Deelnemingen BV	Holding	(4)	(i)	100
Urenco Finance NV	Financing	(4)		100
Urenco USA Holdings Limited	Holding	(1)		100
Urenco USA Inc.	Holding	(5)	(i)	100
Urenco Inc.	Sales / marketing	(6)	(i)	100
Urenco Finance UK Limited	Dormant	(1)	(i)	100
Urenco Finance US LLC	Dormant	(7)	(i)	100
Louisiana Energy Services, LLC	Enrichment services	(7)	(i)	100
Urenco Nuclear Stewardship Limited	Uranium handling services	(2)		100
Urenco USA Energy Services LLC	Dormant	(5)	(i)	100
U-Battery Limited	Holding	(1)		100
U-Battery Developments Limited	New technology	(1)	(i)	100
U-Battery Canada Limited	New technology	(9)	(i)	100
Urenco UK Pension Trustee Company Limited	Dormant	(2)	(i)	100
Urenco Logistics GmbH	Dormant	(3)	(i)	100
National Enrichment Facility Series 2004 LLC	Financing	(7)	(i)	100
Urenco Funding Limited	Dormant	(1)		100
Urenco Stable Isotopes North America LLC	Sales / marketing	(7)	(i)	100
Name of associate				
Enrichment Technology Company Limited	Manufacturing	(8)	(ii)	50

### Address of registered office of subsidiary or associated companies:

- (1) Urenco Court, Sefton Park, Bells Hill, Stoke Poges, Buckinghamshire, SL2 4JS, England
- (2) Capenhurst Works, Capenhurst, Chester, Cheshire, CH1 6ER, England
- (3) Rontgenstrasse 4, 48599 Gronau, Germany
- (4) Drienemansweg 1, 7601 PZ Almelo, The Netherlands
- (5) 275 Highway 176, Eunice, New Mexico, 88231, USA
- (6) 1560 Wilson Boulevard, Suite 300, Arlington, Virginia, 22209-2463, USA
- (7) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA
- (8) Unit 6, South Capenhurst Technology Park, Capenhurst, Chester, CH1 6EH, England
- (9) 250 Howe Street, Suite 1400, Vancouver, British Columbia, V6C 3S7

### Detail of direct and indirect holdings:

- <sup>(i)</sup> Denotes companies / partnership whose shares are indirectly held by Urenco Limited
- 21.7% is held directly by Urenco Limited, with the remaining 28.3% held by Urenco Deutschland GmbH.

#### For the year ended 31 December 2019

#### 8. Trade and other receivables

	31/12/19 €m	31/12/18 €m
Amounts due from Group undertakings (<12 months)	719.4	287.2
Amounts due from Group undertakings (>12 months)	2,755.3	3,373.6
Other receivables	3.8	1.8
Corporation tax receivable	128.4	112.1
Prepayments and accrued income	56.1	65.5
	3,663.0	3,840.2

The amounts due from Group undertakings include intercompany current accounts and intercompany loan balances; the majority of these are subject to interest. The average annual rate prevailing in the year was 0.63% (2018: 0.72%) on current balances and 3.43% (2018: 1.49%) on non-current balances. The maturity dates of the non-current balances vary from 2023 to 2049.

The amounts due from Group undertakings are stated net of a provision for expected credit losses of €49.3 million (2018: €0.4 million) which has been offset against the intercompany current account and €4.0 million (2018: €4.1 million), which has been offset against the intercompany loan balances. The majority of the expected credit losses relate to an intercompany balance due from a US Group company where the increase in provision is based on a revised forecast prepared for the consolidated impairment analysis.

The key estimate in the calculation of a particular ECL is the probability weighting applied to the scenarios used. The weighting was split across the base case, upside and downside scenarios 80%, 5% and 15% respectively. A change of these probabilities to 85%, 5% and 10% respectively would decrease the ECL by €10.6m, whereas using 75%, 5% and 20% respectively would increase the ECL by €10.6m. Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2018: €nil).

### 9. Short term deposits

	31/12/19 €m	31/12/18 €m
Short term deposits	464.1	-

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

### 10. Cash and cash equivalents

	31/12/19 €m	31/12/18 €m
Cash	79.1	131.2
Cash equivalents	237.8	395.1
Total cash and cash equivalents	316.9	526.3

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash equivalents comprise on demand deposits, together with short-term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

### 11. Interest bearing loans and borrowings

	31/12/19 €m	31/12/18 €m
Bank and other loans repayable:		
Greater than 5 years:		
Yen 20 billion Loan Agreement 6.24%	164.0	159.2
Total non-current	164.0	159.2

The outstanding amount of the loan has the additional protection of cross guarantees from the Urenco subsidiary companies Urenco Deutschland GmbH, Urenco UK Limited, Urenco Nederland B.V., Urenco Finance N.V., Urenco Enrichment Company Limited, Urenco USA Inc., Louisiana Energy Services LLC, Urenco USA Holdings Limited and Urenco ChemPlants Limited.

#### Financial statements

### Notes to the Company Financial Statements continued

### For the year ended 31 December 2019

### 12. Amounts due to Group undertakings

	31/12/19 €m	31/12/18 €m Restated <sup>©</sup>
Current liabilities <sup>()</sup>	1,655.9	1,425.3
Non-current liabilities	1,557.6	1,798.2
	3,213.5	3,223.5

Monies received on behalf of subsidiaries in respect of future revenues have been presented in current amounts due to Group undertakings in the current year and the prior year comparative has been restated accordingly, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised. The prior year restatement is a €49.4 million reclassification from Trade and other payables to current amounts due to Group undertakings, which did not have any impact on net income or equity.

Intercompany accounts included in amounts due to Group undertakings are subject to interest. The average annual rate prevailing in the year was 0.61% (2018: 0.72%) on current balances and 3.03% (2018: 2.96%) on non-current balances. The intercompany payable is not secured on the Company's assets and is payable on demand.

### 13. Trade and other payables

	31/12/19 €m	31/12/18 €m Restated <sup>®</sup>
Accruals	30.2	35.3
Trade payables	8.4	4.3
Amounts due to related parties	56.2	46.2
Other taxes and social security costs	0.5	0.4
	95.3	86.2

<sup>&</sup>lt;sup>®</sup> Monies received on behalf of subsidiaries in respect of future revenues have been presented in current amounts due to Group undertakings in the current year and the prior year comparative has been restated accordingly, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised. The prior year restatement is a €49.4 million reclassification from Trade and other payables to current amounts due to Group undertakings, which did not have any impact on net income or equity.

Accruals includes interest accrued on intercompany payables of €17.3 million (2018: €22.0 million).

### 14. Derivative financial instruments

### Categories of financial instruments at fair value

	Amounts due within one year			
	31/12/19 €m	31/12/18 €m	31/12/19 €m	31/12/18 €m
Financial assets at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	35.6	32.0	37.9	42.5
Interest rate/cross currency contracts	-	-	111.6	169.4
Forward foreign exchange contracts	6.0	7.6	18.2	12.2
Total assets measured at fair value	41.6	39.6	167.7	224.1
Financial liabilities at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	(5.5)	(5.9)	(18.2)	(12.2)
Interest rate/cross currency contracts	-	-	(101.7)	(113.1)
Forward foreign exchange contracts	(35.6)	(32.0)	(37.5)	(41.7)
Total liabilities measured at fair value	(41.1)	(37.9)	(157.4)	(167.0)

#### For the year ended 31 December 2019

#### 14. Derivative financial instruments continued

The Company is subject to currency exposures arising from transactions made by other members of the Urenco Group, in US dollar and euro. The functional currency of the Company is sterling.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts on behalf of the Group. The Company hedges the net cash flows of its European business, by selling US dollar customer revenues, buying forward sterling required to meet the costs of the UK operations and selling the remaining US dollars to buy euros. The Company reduces the impact of changes in foreign exchange rates by using a progressive rolling programme of buying and selling currencies over a period of up to four years ahead.

Under cross currency interest rate swap contracts, the Company agrees to exchange the difference between fixed interest in euro and Yen currency, into fixed interest in sterling, and from fixed interest in sterling to fixed interest in US dollars on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing foreign currency exchange rates on the fair value of interest payments in foreign currency, and the fair value of investments in subsidiaries at the Urenco Group level. The fair value of cross currency interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

### 15. Retirement benefit obligations

The Company operates a defined benefit pension scheme and the pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent, professionally qualified actuaries using the projected unit credit method.

The defined benefit plan is administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The valuation used for IAS19R disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2019 to take account of the requirements of IAS19R in order to assess the liabilities of the scheme at 31 December 2019. Scheme assets are stated at their market values at the reporting dates.

### Main assumptions:

Key financial assumptions	2019	2018
Discount rate	2.1%	2.9%
Salary increases	4.2%	4.4%
Pension increases	3.2%	3.4%
Price inflation	3.2%	3.4%
rice illiation	SIE /0	5.170
Mortality assumptions	2019	2018
Mortality assumptions	2019	2018
Mortality assumptions Life expectancy at age 60 for a male currently aged 60	2019 <b>29.</b> 2	2018 29.1

The assets and liabilities of the scheme at 31 December are:

The assets and liabilities of the scheme at 3 i December are:		
	Market value 2019 €m	Market value 2018 €m
Equities	29.1	23.7
Bonds	32.4	31.0
Total market value of scheme assets	61.5	54.7
Present value of scheme liabilities	(65.7)	(54.9)
Pension liability	(4.2)	(0.2)
Movement in present value of benefit obligation	2019 €m	2018 €m
At 1 January	(54.9)	(67.9)
Interest cost	(1.5)	(1.7)
Actuarial (losses) / gains	(7.1)	12.4
Benefits paid to members	1.4	1.7
Exchange difference	(3.6)	0.6
At 31 December	(65.7)	(54.9)

#### Financial statements

### **Notes to the Company Financial Statements continued**

#### For the year ended 31 December 2019

### 15. Retirement benefit obligations continued

The assets and liabilities of the scheme at 31 December are:

Movements in the fair value of plan assets	2019 €m	2018 €m
As at 1 January	54.7	57.7
Interest income	1.5	1.5
Actuarial gains / (losses)	2.7	(2.7)
Contribution by employer	0.4	0.4
Benefits paid to members	(1.4)	(1.7)
Exchange difference	3.6	(0.5)
As at 31 December	61.5	54.7
Components of pension cost Interest on pension scheme liabilities	2019 €m (1.5)	2018 €m (1.7)
Interest on scheme assets	1.5	1.5
Total pension cost recognised in income statement	-	(0.2)
Actuarial (losses) / gains	(4.4)	9.7
Total pension movement recognised in the Statement of Comprehensive Income	(4.4)	9.7
	2019 €m	2018 €m
Present value of defined benefit obligation	(65.7)	(54.9)
Fair value of plan assets	61.5	54.7
Recognised liability at 31 December	(4.2)	(0.2)

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2019 for the Company's retirement benefit schemes would have had the effects shown in the table below. The sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	(Increase)/decrease in retirement benefit obligations 31/12/19 €m
Discount rate	
Effect of increase in discount rate by +0.25% at 31 December 2019	3.1
Effect of decrease in discount rate by -0.25% at 31 December 2019	(3.3)
Inflation rate	
Effect of increase in inflation rate by +0.25% at 31 September 2019	(2.9)
Effect of decrease in inflation rate by -0.25% at 31 September 2019	2.8

Experience adjustments (surplus/deficits) arise where actuarial assumptions made at a previous valuation have not been borne out in practice.

Regular contributions to the scheme from both the members and employer for the year beginning 1 January 2020 are expected to be  $\leq$ 0.4 million (2018 actual contributions:  $\leq$ 0.4m) reflecting that the scheme was closed to further accruals from 5 April 2017.

A triennial valuation for the pension scheme was completed as at 5 April 2018 and has been updated to 31 December 2019 by a qualified actuary. Urenco closed the UK defined benefit section for further accrual from April 2017 having conducted consultations with employees and their representatives and the pension scheme trustees.

In 2008, the Company also introduced a defined contribution scheme for new employees. The total cost of defined contribution arrangements of €0.8 million (2018: €0.8 million) has been fully expensed against profits in the current year.

### For the year ended 31 December 2019

### 16. Called up share capital

	31/12/19 €m	31/12/18 €m
Authorised		
Ordinary share capital, 240 million ordinary shares of £1 each:		
'A' Ordinary Shares	113.0	113.0
'B' Ordinary Shares	113.0	113.0
'C' Ordinary Shares	113.0	113.0
	339.0	339.0
Issued		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
'A' ordinary shares	79.1	79.1
'B' ordinary shares	79.1	79.1
'C' ordinary shares	79.1	79.1
	237.3	237.3

The 'A', 'B' and 'C' ordinary shares have identical rights.

### 17. Retained earnings

	€m
As at 31 December 2017	1,064.0
Transition adjustments on adoption of IFRS 9	(2.0)
As at 1 January 2018	1,062.0
Net profit for the year 2018	451.3
Dividends paid	(300.0)
Actuarial gains on retirement benefit obligation	9.7
Deferred tax on actuarial gains	(1.8)
Foreign exchange translation differences	(209.7)
As at 31 December 2018 and 1 January 2019	1,011.5
Net profit for the year 2019	314.9
Dividends paid	(300.0)
Actuarial losses on retirement benefit obligation	(4.4)
Current tax on actuarial losses	0.1
Deferred tax on actuarial losses	0.7
Foreign exchange translation differences	64.9
As at 31 December 2019	1,087.7

The €9.4 million loss in the Hedging reserve (2018: €11.4 million gain) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2019, the Company had distributable reserves available of €1,059.3 million (2018: €956.3 million).

#### Financial statements

### **Notes to the Company Financial Statements** continued

#### For the year ended 31 December 2019

### 18. Related party transactions

During the year, the Company entered into the following transactions with the following related party:

		Purchases of assets, goods and services	
	Year ended 31/12/19 €m	Year ended 31/12/18 €m	
ETC <sup>(i)</sup>	0.8	0.8	

<sup>&</sup>lt;sup>(i)</sup> These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

		related parties	
	Year ended 31/12/19 €m	Year ended 31/12/18 €m	
ETC <sup>(i)</sup>	56.2	46.2	

These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions between wholly owned subsidiaries of the Group.

Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts owed by related parties are stated at amortised cost less provision for expected credit losses.

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 55.

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Short term employee benefits	3.0	3.1
	3.0	3.1

#### **Directors' transactions**

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, as detailed in the Remuneration report on page 55.

### 19. Contingent liabilities

The Company is party to a number of composite guarantees of borrowings by certain of its subsidiaries which at the reporting date amounted to €534.5 million (2018: €505.2 million). The Directors do not expect any liability to arise under these guarantees.

### 20. Events after the reporting period

As of 11 March 2020, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2019 financial statements.

# **GLOSSARY**

### Capital expenditure

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

#### Deconversion

This is the process of removing the volatile fluorine component from uranium hexafluoride to make stable uranium oxide ( $U_3O_8$ ). Urenco has chosen to use  $U_3O_8$  as the long term retrievable storage form of uranium.

### **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 changes already included in changes to inventories and SWU assets and net costs of nuclear provisions.

### **Enrichment Group**

A collective name for Urenco Enrichment Company Ltd and its subsidiaries namely: Urenco UK Ltd (UUK); Urenco Nederland B.V. (UNL); Urenco Deutschland GmbH (UD) and Urenco Inc. (UI).

#### **ETC**

Enrichment Technology Company Limited – a joint venture company jointly owned with Orano (previously Areva). ETC provides enrichment plant design services and gas centrifuge technology for enrichment plants through its subsidiaries in the UK, Germany, the Netherlands, France and the US.

#### Euratom

The European Atomic Energy Community, established in 1957 by members of the European Union.

### **EUP**

Enriched Uranium Product, i.e. UF  $_{\rm 6}$  enriched, typically, to between 3% and 5%  $\rm U_{235}$  content.

### Feed

Natural or reprocessed uranium, converted to  $\mathrm{UF}_{\mathrm{G}},$  and fed into the cascades for enrichment.

### FFO/TAD

FFO/TAD is the ratio of funds from operations (FFO) to total adjusted debt (TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and pension obligations. TAD is interest bearing loans and borrowings adjusted for cash and Short term bank deposits, lease liabilities, retirement benefit obligation deficit, and tails and decommissioning provisions.

### IAEA

The International Atomic Energy Agency is the world's central intergovernmental forum for scientific and technical cooperation in the nuclear field.

#### IAS

International Accounting Standards.

#### **IFRS**

International Financial Reporting Standards.

#### Joint Committee

The committee of representatives of the governments of the Netherlands, the United Kingdom and Germany that oversees Urenco's compliance with the Treaty of Almelo.

### Low Assay Feed (LAF)

Tails material with a  $\rm U_{235}$  assay such that there is economic rationale to include in plans to re-enrich.

#### LTI

A Lost Time Incident is any work related injury or illness which prevents that person from doing any work the day after the accident.

#### Net assets

Total assets less total liabilities.

### Net costs of nuclear provisions

The net costs charged to the income statement associated with the creation and release of provisions for tails, decommissioning and re-enrichment of LAF.

#### Net debt

Loans and borrowings (current and non-current) plus obligations under 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 and charges/ reversals of expected credit losses on financial assets.

#### Net interest

Net finance costs excluding gains and losses on non-designated hedges and excluding capitalised borrowing costs.

### Orano (previously Areva)

The French energy group that holds 50% of the shares in ETC.

#### Order book

Contracted and agreed business estimated on the basis of 'requirements' and 'fixed commitment' contracts.

### Other operating and administrative expenses

Expenses comprising Employee costs, Restructuring charges and Other expenses, but excluding the Net costs of nuclear provisions and any associated elements of depreciation.

### Parent Company

Urenco Limited.

### **Glossary** continued

#### Revenue

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

#### SWU

Separative Work Unit. The standard measure of the effort required to increase the concentration of the fissionable  $\rm U_{235}$  isotope.

### Tails (Depleted UF<sub>6</sub>)

Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of the  $U_{245}$  isotope.

### Tails Management Facility (TMF)

The facility constructed and operated by Urenco ChemPlants Limited that will manage the deconversion of tails to stable uranium oxide ( $U_3O_8$ ). Currently undergoing commissioning at Urenco's site in Capenhurst, UK, it consists of a number of associated storage, maintenance and residue processing facilities to support Urenco's long term strategy for the management of tails.

### Treaty of Almelo

In the early 1970s the German, Dutch and British governments signed the Treaty of Almelo, an agreement under which the three partners would jointly develop the centrifuge process of uranium enrichment.

### Treaty of Cardiff

In July 2005 the German, Dutch, British and French governments signed the Treaty of Cardiff, an agreement between the four governments to supervise the collaboration between Urenco and Orano in their joint venture, ETC.

### Treaty of Washington

In July 1992 the German, Dutch, British and United States of America governments signed the Treaty of Washington, an agreement which was required in order to permit the establishment of the National Enrichment Facility.

### tSW

Tonnes of Separative Work.

#### tSW/a

Tonnes of Separative Work per annum.

### UEC

Urenco Enrichment Company Limited.

### **UK GAAP**

The Generally Accepted Accounting Practice in the UK.

#### Uranic material

Natural uranium, enriched uranium and depleted uranium.

### Working capital

Inventories, trade and other receivables, less the current portion of trade and other payables.

# **CONTACT LISTING**

### Registered office and Group headquarters address:

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