news release

**31 August 2017**

**URENCO Group – Half-Year 2017 Unaudited Financial Results**

**London – 31 August 2017 –** URENCO Group ("URENCO" or "the Group"), an international supplier of uranium enrichment and nuclear fuel cycle services, today announces its results for the half year ending 30 June 2017.

**Summary**

- Higher Revenue and EBITDA than H1 2016 as a result of phasing of customer deliveries and increased uranium related sales.
- Resulting increase in Net income reflects lower depreciation charge, associated deferred tax impact and reduced volatility in exchange rates.
- Continued strong cash generation and reduction in net debt.
- Long established order book provides protection in short to medium term against prevailing market challenges and pricing pressures.
- Construction challenges at our Tails Management Facility (TMF) with commissioning delayed until late 2018.
- Strategy2020 implementation progressing well with cost reductions on target.

**Financial highlights**

| | **Six months to 30 June 2017 (unaudited) €m** | Six months to 30 June 2016 (unaudited) €m |
|---|---|---|
| **Revenue** | **811.4** | 589.2 |
| **EBITDA** [(i)] | **490.8** | 321.8 |
| **EBITDA margin - %** | **60.5%** | 54.6% |
| **Income from operating activities** [(ii)] | **297.9** | 162.3 |
| **Net income/(loss)** [(iii)] | **249.8** | (8.5) |
| **Net income/(loss) margin - %** | **30.8%** | (1.4)% |
| | | |
| **Capital expenditure** | **151.2** | 207.0 |
| **Cash generated from operating activities** | **599.8** | 452.0 |

(i) EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and share of joint venture results.
(ii) Income from operating activities has been positively impacted by €28.0 million following an extension of the estimated useful life of centrifuges and associated equipment by between 3 and 5 years.
(iii) Net income has been positively impacted by €94.9 million, including net tax impacts of €66.9 million, following the extension of the estimated useful lives of centrifuges and associated equipment.

**Thomas Haeberle, Chief Executive of URENCO Group, commenting on the half-year results, said:**

"In the first half of 2017, URENCO delivered a strong operational performance reflected in higher revenue and EBITDA compared to H1 2016. The phasing of revenue between the first half and second half of 2017 is expected to show less seasonality than in prior years, with a larger proportion in the first half but with the second half still accounting for the majority of sales. The increase in EBITDA reflects the increased level of sales, lower operating costs and reduced net charges for nuclear provisions compared to the half year results for 2016. Our strong financial results continue to be supported by a long established order book that extends into the second half of the next decade.

Our commitment to responsible uranium stewardship is evidenced by our investment in the TMF at our UK site. However, the TMF has experienced further construction delays and we now anticipate commissioning in late 2018. A comprehensive review of the project undertaken in H1 2017 indicates higher final construction costs.

Despite the strong performance in the first six months of 2017, the enrichment market remains challenging and this is having an impact on our new contracts. In the medium term we continue to benefit from our strong order book. The environment in which we operate reinforces the importance of successfully implementing our Strategy2020 programme. We are making good progress on the cost optimisation target across our organisation. We are progressing well in our plans to expand our high-tech capabilities and we are proactively investigating opportunities to broaden the services we provide to the nuclear industry.

The commitment and dedication of our workforce has been fundamental to the successful implementation of Strategy2020 to date. Their professionalism has enabled the creation of a more efficient organisation. Looking forward, our focus will continue on developing our people and our technical expertise.

It is a privilege to lead such a strong, diverse and talented workforce. Together we are committed to delivering safe and responsible operations, providing the highest standards of customer service and successfully achieving the strategic objectives of our global organisation.

We remain confident that our new strategy will support the organisation in sustaining its position as a global leader in enrichment services and trusted long-term partner to the industry.”

**Financial Results**

Revenue for the six months ended 30 June 2017 was €811.4 million (H1 2016: €589.2 million) reflecting both higher SWU sales and higher uranium related sales. Overall, the phasing of revenue between the first half and second half of 2017 is expected to show less seasonality than in prior years, with a larger proportion in the first half but with the second half still accounting for the majority of sales.

EBITDA for H1 2017 increased by 52.5% to €490.8 million compared to H1 2016 (H1 2016: €321.8 million) due to increased revenue, particularly higher margin SWU sales, lower operating costs, a pension scheme gain and reduced net charges for nuclear provisions, reflecting the impact of a review of key assumptions and an optimisation of operations across the Group.

Depreciation and amortisation was €173.4 million in H1 2017 (H1 2016: €238.8 million) reflecting the impacts of the impairment of the USA operations in 2016 and an increase in the estimated useful life of centrifuges and associated equipment.

Net finance costs for H1 2017 were €49.7 million, compared to net finance costs in H1 2016 of €175.2 million. The most significant driver of this movement is the reduced foreign exchange loss of €0.4 million (H1 2016: €83.6 million loss). In H1 2017 there was less currency volatility than in H1 2016 and the Group’s unhedged foreign currency loan balances were lower. This resulted in a smaller currency movement on the retranslation of certain unhedged loan balances in net financing costs. In addition, a gain associated with ineffective cashflow hedges was recorded of €14.8 million (H1 2016: €15.0 million loss). The net finance cost associated with borrowings declined from €71.5 million to €62.2 million, reflecting lower net debt and the absence of costs for early debt repayments made in the prior period.

In H1 2017 there was a tax credit of €1.6 million corresponding to an effective tax rate ("ETR") of -0.6%. This total tax credit includes a €74.0 million movement in previously unrecognised deferred tax assets, offset by a charge of €7.1 million on increased first half profits, arising as a consequence of the increase in the estimated useful life of centrifuges and associated equipment. Excluding the movement in previously unrecognised deferred tax assets of €74.0 million, the tax charge would have been €72.4 million (29.2% ETR), compared to a tax credit of €4.4 million (34.1% ETR) in H1 2016. The main reasons for the decrease in ETR (excluding the movement in previously unrecognised deferred tax assets) are changes in the relative proportions of profits and losses generated across the four jurisdictions in which URENCO operates, together with 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.

Net income for the six months ended 30 June 2017 was €249.8 million (H1 2016: €8.5 million loss), reflecting the movements detailed above.

Cash generated from operating activities was €599.8 million (H1 2016: €452.0 million) reflecting increased revenue and favourable movements in working capital compared to H1 2016. Tax paid in the period was €98.3 million (H1 2016: €68.6 million). Net cash flow from operating activities was €501.5 million compared to €383.4 million in H1 2016.

The Group invested €151.2 million in H1 2017 (H1 2016: €207.0 million) of which 71.0% was associated with the TMF in the UK, and the remainder spread across the Group's enrichment facilities. The TMF has experienced delays and continues to face risks in terms of cost and schedule; as a result, commissioning of the facility is now forecast for late 2018. The comprehensive project review undertaken in H1 2017 indicated higher forecast costs to complete.

Net cashflow from financing activities in the period included the final dividend for the year ended 31 December 2016 of €300.0 million, which was paid in full in March 2017 (31 December 2015: €350.0 million, paid in March 2016). In May 2017, €362.0 million of Eurobonds were repaid.

As at 30 June 2017, the Group had net debt of €2,591.4 million (31 December 2016: €2,618.3 million).

The Company's debt ratings were reconfirmed in April 2017 by Moody's (Baa1/Stable) and S&P Global Ratings (BBB+/Stable).

**Outlook**

Our new strategic direction will enable us to remain a reliable and sustainable partner to the global nuclear industry, providing customers with the highest level of service, quality and expertise. In the short-term, pricing pressures may continue due to the presence of excess inventories of enriched product. We remain confident that the global nuclear industry will grow and that we are well positioned to support it for years to come.

URENCO's current order book continues to provide long term visibility and financial stability of future revenues. Orders extend into second half of the next decade and the value of the order book at 30 June 2017 was approximately €14.2 billion based on €/$ of 1:1.14 (31 December 2016: approximately €15.5 billion based on €/$ of 1:1.05).

The principal risks and uncertainties to which the Group is exposed are the same as those disclosed in the Group's annual financial statements for the year ended 31 December 2016.

URENCO continues to monitor closely the UK's exit from the European Union and its potential impact on its business. The UK's withdrawal from Euratom also presents significant risks and URENCO is developing business continuity plans with the aim of mitigating some of the potential risks to the company. URENCO has a unique geographical diversity with enrichment facilities in Germany, the Netherlands, the UK and the USA. Our priority is to ensure we sustain normal operations across all our facilities and continue to deliver on our commitments to our customers.

**ENDS**

**Contact**

Jayne Hallett
Director of Corporate Communications
+44 1753 660 660

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

**About URENCO Group**

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

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

For more information, please visit www.urenco.com

**Click here to view the full press release as a PDF**