# Urenco Limited

## Interim Financial Statements

## FOR THE 6 MONTHS ENDED 30 JUNE 2021

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# The Urenco Group

Urenco is an international supplier of enrichment services and fuel cycle products with sustainability at the core of its business. Operating in a pivotal area of the nuclear fuel supply chain for 50 years, Urenco facilitates zero carbon electricity generation for consumers around the world.

With its head office near London, UK, Urenco's global presence ensures diversity and security of supply for customers through enrichment facilities in Germany, the Netherlands, the UK and the USA. Using centrifuge technology designed and developed by Urenco, and through the expertise of our people, the Urenco Group provides safe, cost effective and reliable services, operating within a framework of high environmental, social and governance standards, complementing international safeguards.

Urenco is committed to continued investment in the responsible management of nuclear materials; innovation activities with clear sustainability benefits, such as nuclear medicine, industrial efficiency and research; and nurturing the next generation of scientists and engineers.

For more information, please visit www.urenco.com

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## CORPORATE INFORMATION

### Board of Directors

**Non-executive Directors**

| | |
|---|---|
| Stephen Billingham | Chairman |
| Mel Kroon | Non-Executive |
| Frank Weigand | Non-Executive |
| Alan Bevan | Non-Executive |
| Miriam Maes | Non-Executive |
| Justin Manson | Non-Executive |
| Richard Nourse | Non-Executive |

**Executive Directors**

| | |
|---|---|
| Boris Schucht | Chief Executive Officer |
| Ralf ter Haar | Chief Financial Officer |

**Registered Office**

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

Registered No.1022786

**Website:**

www.urenco.com

**Auditor**

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3BZ

## Summary


- Revenue at €565.0 million, EBITDA at €322.9 million, in line with management expectations, although lower than the prior period due to one-off income received in H1 2020.
- Net income at €84.8 million, adversely impacted by a non-cash deferred tax charge due to a future increase in the UK Corporation tax rate, which was enacted in H1 2021.
- Total gross debt reduced to €1,076.3 million following repayment on maturity of the Group's 2021 Eurobonds (31 December 2020: €1,614.5 million).
- Cash generated from operating activities remains strong at €229.1 million, but reflects lower EBITDA and higher trade receivables at 30 June 2021 compared to H1 2020, for which cash is due to be received in H2 2021.
- Effective management of COVID-19 with continuous plant operations and customer deliveries; no significant financial impact and liquidity remains robust.
- Order Book at €9.1 billion, extending to the 2030s.


## Financial Highlights

| | **Six months to 30 June 2021 (unaudited) €m** | Six months to 30 June 2020 (unaudited) €m |
|---|---|---|
| **Revenue** | **565.0** | 617.3 |
| **EBITDA**(i) | **322.9** | 437.6 |
| **EBITDA margin - %** | **57.2%** | 70.9% |
| **Income from operating activities (pre-exceptional item)** | **209.9** | 321.8 |
| **Exceptional item (pre-tax)**(ii) | **0.0** | (25.6) |
| **Income from operating activities (post-exceptional item)** | **209.9** | 296.2 |
| **Net income (pre-exceptional item)** | **84.8** | 198.3 |
| **Exceptional item (post-tax)**(ii) | **0.0** | (25.6) |
| **Net income (post-exceptional item)** | **84.8** | 172.7 |
| **Capital expenditure** | **58.6** | 68.3 |
| **Cash generated from operating activities** | **229.1** | 498.5 |

(i) EBITDA is earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and net costs of nuclear provisions. EBITDA is reconciled to income from operating activities on page 20.
(ii) Exceptional item comprises the increase in nuclear provisions for the USA operations as a result of lower discount rates.

**Boris Schucht, Chief Executive of Urenco Group, commenting on the half year results, said:**

"Urenco's half year results for 2021 reflect our ongoing resilient financial and operational performance, which has been sustained despite the COVID-19 pandemic. Our plant operations have continued without interruption and our deliveries to customers have been maintained throughout the period. The continued mutual support and flexibility demonstrated by our employees, our customers and key stakeholders is greatly appreciated by Urenco.

Urenco's finances remain healthy and in line with management expectations. Revenue of €565.0 million and EBITDA of €322.9 million are down on H1 2020 (€617.3 million and €437.6 million respectively) driven by the receipt of one-off income in H1 2020 and a reduction in sales volumes, in line with management expectations. In the period, SWU spot prices continued to increase from their low point of $34/SWU in August 2018, reaching $54/SWU in June 2021. Net income of €84.8 million has also decreased on H1 2020 (€172.7 million post exceptional item) adversely impacted by the items noted above and a non-cash deferred tax charge of €45.5 million due to a future increase in the UK Corporation tax rate, which was enacted in H1 2021. Net financial debt is now at €500.5 million which is broadly in line with the position at 31 December 2020 (€455.7 million). We retain a strong balance sheet, which will help protect Urenco from any potential longer term adverse consequences of COVID-19 and the ongoing challenges of the enrichment market.

Our updated strategy continues to progress well. Our order book has slightly increased in the first half of 2021 for our core enrichment business. Our UK-based Tails Management Facility (TMF), which responsibly manages the by-product of our enrichment services, is being actively commissioned. We are committed to the long term sustainability of the nuclear industry and we are supporting our customers through the development of next generation fuels, along with expanding our production of medical isotopes.

Sustainability is integral to everything we do at Urenco. We are committed to making a positive contribution to a sustainable net zero future. This year we refreshed our sustainability strategy, ensuring that our key priorities of environmental impact, social impact and governance provide strategic value and direct our day to day activities. We are proud of the important role we play as part of the civil nuclear industry in helping the world to decarbonise. In this respect we have committed to achieving net zero carbon emissions across our business in advance of 2040. We are also increasing our social investment, with a clear focus on multi-year partnerships with charitable organisations and enhanced alignment of our internship, educational and other social programmes. We are also maintaining our strong focus on governance and ethics; we ensure compliance with appropriate regulatory frameworks, we preserve the security of the nuclear industry, we operate in an open and accountable manner and we are committed to ensuring Urenco remains a trustworthy and valuable contributor to society.

The UN Climate Change Conference, COP26, is planned to be held in Glasgow, United Kingdom, in November 2021. It will be important for the nuclear industry to participate in the dialogue and debate, in order to make the case that nuclear energy is a critical part of the solution for climate change and achieving decarbonisation. The use of nuclear energy today avoids emissions roughly equivalent to removing one-third of all cars from the world's roads. Urenco will support the energy transition and we believe that nuclear power, renewables and hydrogen belong together in a net zero world and they are the future of our energy systems.

**Outlook and order book**

Urenco is committed to maintaining its position as a trusted global industry leader. We strive to contribute to a sustainable net zero carbon future, operate safely and form partnerships to deliver measurable positive impacts, be a respected strategic partner and an organisation in which every employee is informed, included and inspired.

To ensure growth in our enrichment business, we are signing new contracts to maintain our global customer base and continuing to raise our profile in new markets. We have security in our core business through the long-term visibility of our Order Book. Our Order Book extends to the 2030s with a value as of 30 June 2021 of €9.1 billion, based on €/$ of 1 : 1.18 (31 December 2020: approximately €9.0 billion based on €/$ of 1 : 1.22). The market price for enrichment remains challenging, although there are reasons for optimism. Spot prices were back above $54 per SWU in June 2021 from their low point of $34 in August 2018. We believe that our unrivalled customer service levels and diversity of supply will allow us to continue to be a partner of choice for our customers. We are also working towards providing support to our customers so that we are well positioned to fuel all nuclear new builds, including the next generation of reactors.

Nuclear power generation has rebounded in 2021, so far reversing half of the decline in output that took place in 2020. While there may be a small reduction in future deliveries as a consequence of the pandemic, many utilities have utilised the decreased demand of last year to advance their maintenance programmes. Overall, investments in nuclear have remained resilient to the economic shocks caused by the coronavirus pandemic, with nuclear playing a key role in many of the announced infrastructure investment plans aligned with net zero. However, in some western power markets, nuclear operators remain under economic stress as power prices and market conditions do not support their continued operation, despite their clear environmental credentials for achieving net zero.

We are confident of the long-term prospects of nuclear energy, which is a key source of reliable, low carbon energy, with a significant pipeline of new reactors planned worldwide. Enriched uranium will continue to be an essential source of fuel, powering current and new nuclear technologies as they come to market.

Commercial operations will increase at our Tails Management Facility and our new stable and medical isotopes cascades are on track to start operations later this year and increase our capacity.

We also continue to monitor the various political uncertainties that could impact our business. We are pleased that the actions we took in advance of the UK’s withdrawal from the European Union have enabled us to maintain our services to customers around the world.

## REVIEW OF FINANCIAL RESULTS

### Income Statement for the period ended 30 June 2021

Revenue for the six months ended 30 June 2021 was €565.0 million, a decrease of €52.3 million (8.5%) compared to the same period last year in line with management expectations. A significant driver for the year on year reduction in revenue was the impact of one off payments of €44.5 million received in 2020 following the settlement of claims filed by Urenco relating to the Chapter 11 bankruptcy of a US customer. This was not repeated in 2021. Furthermore, SWU revenues were lower due to a reduction in both SWU volumes delivered and realised SWU prices.

Overall, revenue for 2021 is expected to show a comparable phasing to 2020 and previous years when sales were weighted to the second half of the year.

EBITDA for the first half of 2021 was €322.9 million, a decrease of €114.7 million (26.2%) from the same period last year (H1 2020: €437.6 million). The decrease in EBITDA is principally due to decreased revenue together with an increase in the net costs of nuclear provisions (excluding exceptional charges) of €49.2 million, and an increase in other operating and administrative expenses of €13.2 million, reflecting inflationary increases in direct operating expenses.

| **€ million (periods ended 30 June)** | **2021** | **2020** | % movement |
|---|---|---|---|
| **Income from operating activities – pre-exceptional item** | **209.9** | **321.8** | (34.8%) |
| Adjustment for depreciation in inventories, SWU assets and nuclear provisions | (41.8) | (33.4) | |
| Add: depreciation and amortisation | 157.6 | 150.4 | |
| Adjustment for share of results of joint venture | (2.8) | (1.2) | |
| **EBITDA** | **322.9** | **437.6** | (26.2%) |

The net costs of nuclear provisions were €86.1 million for the six months ended 30 June 2021, an increase of €23.6 million (H1 2020: €62.5 million). The increase is primarily a result of lower tails provision releases in 2021 (€38.1 million expense) and a net change attributable to volumes of tails produced and changes in estimates (€14.9 million expense), partially offset by a saving of €32.4 million which had been recognised in 2020 due to a prior period reduction in discount rates.

| **€ million (periods ended 30 June)** | **2021** | **2020** | increase/ (decrease) |
|---|---|---|---|
| Net costs for nuclear provisions in the period – total | 86.1 | 62.5 | 23.6 |
| Net costs for tails provisions in the period – exceptional item | - | 25.6 | 25.6 |
| Net costs for nuclear provisions in the period – ordinary course | 86.1 | 36.9 | 49.2 |

Depreciation and amortisation for the six months ended 30 June 2021 was €157.6 million, compared to €150.4 million for the half year 2020, primarily reflecting higher depreciation charges for decommissioning assets uplifted following the change in discount rates booked in 2020.

Net finance costs for the six months ended 30 June 2021 were €32.0 million, compared to €44.0 million for the same period last year. The net finance cost on borrowings of €22.4 million is lower than H1 2020 (€34.6 million) following the repayment at maturity of €534.4 million of the 2021 2.5% Eurobonds in February 2021 and associated swaps and the prepayment in August 2020 of €95.0 million of the 2022 2.25% Eurobonds.

In H1 2021 there were foreign exchange gains of €6.9 million (H1 2020: loss of €4.8 million) reflecting unhedged balances and movements in foreign exchange rates. The other key elements of net finance costs were capitalised interest of €23.5 million (H1 2020: €32.7 million) and the unwinding of discounting on provisions of €33.6 million (H1 2020: €34.9 million).

## REVIEW OF FINANCIAL RESULTS continued

### Income Statement for the period ended 30 June 2021 continued

In the first half of 2021 the tax expense was €93.1 million (an effective tax rate (ETR) of 52.3%), an increase of €13.6 million over the tax expense of €79.5 million for H1 2020 (ETR: 31.5%). The increase in tax expense arose primarily as a result of a non-recurring tax expense for revaluing the Group's net UK deferred tax liability from 19% to 25% following enactment during the first half of 2021 of an increase in the UK tax rate, effective 1 April 2023. This was however partially offset by the impact of a decrease in accounting income before tax and changes in the amount of foreign exchange financing gains and losses that are excluded from tax under the UK Disregard Regulations.

In the first six months of 2021 net income was €84.8 million, a decrease of €87.9 million (50.9%) compared to net income of €172.7 million post-exceptional item in the same period of 2020. The decrease in net income post-exceptional item reflects the impact of lower EBITDA and higher tax expenses.

The net income margin for H1 2021 was 15.0% (H1 2020: 28.0% post-exceptional item and 32.1% pre-exceptional item).

| **€ million (periods ended 30 June)** | **2021** | **2020** | increase/ (decrease) |
|---|---|---|---|
| Net income – pre-exceptional item | 84.8 | 198.3 | (113.5) |
| Exceptional item – change in US discount rate | - | (25.6) | 25.6 |
| Net income – post-exceptional item | **84.8** | **172.7** | (87.9) |

### Cash Flow Statement for the period ended 30 June 2021

Operating cash flow before movements in working capital was €412.7 million (H1 2020: €465.6 million) and cash generated from operating activities was €229.1 million (H1 2020: €498.5 million). The lower cash flows from operating activities primarily reflect the impact of lower revenues and an unfavourable movement of working capital balances compared to H1 2020. In the current period, sales deliveries have been relatively closer to the period end when compared to the prior period, resulting in higher trade receivables balances. These trade receivables will be settled in H2 2021 in accordance with agreed payment terms.

Tax paid in the period was €103.9 million (H1 2020: €93.5 million) due to the timing and phasing of cash payments which spans multiple years.

Accordingly, net cash flow from operating activities after tax was €125.2 million compared to €405.0 million in H1 2020.

In the first six months of 2021 the Group invested a total of €58.6 million (H1 2020: €68.3 million), of which the investment in the Tails Management Facility (TMF) represented €13.1 million (H1 2020: €17.3 million).

Net cash outflow from financing activities in H1 2021 increased to €655.0 million compared to €352.7 million in H1 2020, due to the repayment of €534.4 million of Eurobonds on maturity and the payment of a cash dividend of €150.0 million for the year ended 31 December 2020 (2020: €300.0 million).

### Statement of Financial Position as at 30 June 2021

The book value of property, plant and equipment increased by €96.6 million in the first half of the year. This mainly relates to capital additions, including recognition of decommissioning assets and capitalised interest (€116.6 million) and foreign exchange translation gains, mainly on UK assets that are denominated in sterling and held in GBP functional currency entities (€134.4 million) offset by depreciation (€156.4 million).

Inventories increased in the six months ended 30 June 2021 by €58.8 million to €181.2 million (31 December 2020: €122.4 million). SWU assets increased in the six months ended 30 June 2021 by €95.6 million to €409.0 million (31 December 2020: €313.4 million).

Total provisions as at 30 June 2021 were €2,546.0 million (31 December 2020: €2,355.7 million) of which €3.8 million (31 December 2020: €5.2 million) was included in current liabilities. In H1 2021, additional provisions and the unwinding of discounts were €213.9 million, while utilisation and release of provisions (including exchange differences) were €23.6 million.

As at 30 June 2021, the Group held cash and cash equivalents of €277.3 million (31 December 2020: €630.0 million) and short term deposits of €298.5 million (31 December 2020: €528.8 million). Net debt was €500.5 million. This is an increase of €44.8 million from the year-end (31 December 2020: €455.7 million) as the net cash outflow following the payment of the final dividend for 2020 was greater than the net cash inflow from operating activities.

The Group has a €750.0 million medium term revolving credit facility which matures in 2023 and, as at 30 June 2021 the amount drawn down was €nil. The Company's debt ratings were reconfirmed in April 2021 by Moody's (Baa1/Stable) and S&P Global Ratings (BBB+/Stable).

Total equity increased by €15.0 million with retained earnings decreasing by €47.1 million in the period since 31 December 2020. This is primarily due to the net income for H1 2021 of €84.8 million being lower than the dividend paid in March 2021 in respect of 2020 (€150.0 million). The hedging reserve (including cost of hedging reserve) decreased by €14.0 million to €32.1 million of cumulative hedging gains (31 December 2020: €46.1 million). The foreign currency translation reserve increased by €76.1 million to €289.8 million principally due to foreign exchange gains on UK assets.

### Events after the Balance Sheet Date

There are no post balance sheet events that require disclosure.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of the Company as listed on page 4 hereby confirm that to the best of their knowledge the unaudited interim condensed consolidated set of financial statements has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the United Kingdom and gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Urenco Group.

On behalf of the Board

**Boris Schucht**
Chief Executive Officer

**Ralf ter Haar**
Chief Financial Officer

5 August 2021

## INDEPENDENT REVIEW REPORT TO URENCO LIMITED

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprise the Interim Condensed Consolidated Income Statement, the Interim Condensed Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Statement of Financial Position, the Interim Condensed Consolidated Statement of Changes in Equity, the Interim Condensed Consolidated Cash Flow Statement and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the United Kingdom. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting," as issued by the IASB.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB.

### Use of Our Report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK

5 August 2021

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Six months ended 30 June 2021 Unaudited €m | Six months ended 30 June 2020 Unaudited €m | Year ended 31 December 2020 Audited €m |
|---|---|---|---|---|
| Revenue from sales of goods and services | 3 | **565.0** | 617.3 | 1,700.1 |
| Changes to inventories of finished goods and work in progress and SWU assets | | **112.0** | 89.9 | (38.7) |
| Raw costs of materials and consumables used | | **(11.8)** | (6.4) | (17.8) |
| Net costs of nuclear provisions(i) | 13 | **(86.1)** | (62.5) | (163.8) |
| Employee costs | | **(85.9)** | (82.9) | (167.2) |
| Depreciation and amortisation | 4 | **(157.6)** | (150.4) | (328.6) |
| Restructuring provision release | | **-** | - | 0.9 |
| Other expenses | | **(128.5)** | (110.0) | (249.9) |
| Share of results of joint venture | | **2.8** | 1.2 | 13.8 |
| **Income from operating activities** | | **209.9** | 296.2 | 748.8 |
| Finance income | | **29.3** | 75.7 | 85.5 |
| Finance costs | | **(61.3)** | (119.7) | (167.9) |
| **Income before tax** | | **177.9** | 252.2 | 666.4 |
| Income tax expense | 6 | **(93.1)** | (79.5) | (161.1) |
| **Net income for the period / year attributable to the owners of the Company** | | **84.8** | 172.7 | 505.3 |
| **Earnings per share:** | | **€** | € | € |
| Basic earnings per share | | **0.5** | 1.0 | 3.0 |

(i) Net costs of nuclear provisions includes €25.6 million for the period ended 30 June 2020 and for the year ended 31 December 2020 respectively, classified as exceptional items. Refer to note 5 for further details.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June 2021 Unaudited | 2020 Unaudited Re-presented(i) | Year ended 31 December 2020 Audited Re-presented(i) |
|---|---|---|---|
| | **€m** | €m | €m |
| **Net income** | **84.8** | 172.7 | 505.3 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to the income statement** | | | |
| Cash flow hedges – recycled in relation to hedges of revenue | **(6.9)** | 22.1 | 38.9 |
| Cash flow hedges – recycled in relation to hedges of debt(i) | **33.7** | (68.9) | (49.6) |
| Cash flow hedges – mark to market (losses)/gains(i) | **(52.9)** | 3.1 | 96.7 |
| Movements on cost of hedging reserve(ii) | **1.6** | (0.5) | (6.7) |
| Deferred tax income/(expense) on financial instruments | **5.2** | 16.8 | (18.8) |
| Current tax income/(expense) on financial instruments | **0.7** | (8.4) | (7.7) |
| Exchange differences on hedge reserves | **4.6** | 20.8 | 8.2 |
| Total movements to hedging reserves | **(14.0)** | (15.0) | 61.0 |
| Exchange differences on foreign currency translation of foreign operations | **36.7** | (6.4) | (111.0) |
| Net investment hedge – mark to market gains/(losses) | **40.5** | (128.7) | (12.8) |
| Deferred tax income on financial instruments | **5.0** | 4.6 | 3.8 |
| Current tax (expense)/income on financial instruments | **(6.0)** | 12.0 | (3.3) |
| Share of joint venture exchange difference on foreign currency translation of foreign operations | **(0.1)** | (0.2) | (0.1) |
| Total movements to foreign currency translation reserve | **76.1** | (118.7) | (123.4) |
| **Items that will not be reclassified subsequently to the income statement** | | | |
| Actuarial gains/(losses) on defined benefit pension schemes | **17.0** | (8.1) | 1.6 |
| Deferred tax (expense)/income on actuarial gains/(losses) | **(4.4)** | 0.5 | - |
| Current tax income on actuarial losses | **-** | 1.1 | - |
| Share of joint venture actuarial gains/(losses) on defined benefit pension schemes | **5.5** | (0.3) | (1.9) |
| Share of joint venture deferred tax (expense)/income on actuarial gains/(losses) on defined benefit pension schemes | **-** | - | 2.5 |
| Exchange differences | **-** | (1.5) | - |
| Total movements to retained earnings | **18.1** | (8.3) | 2.2 |
| **Other comprehensive income/(loss)** | **80.2** | (142.0) | (60.2) |
| **Total comprehensive income relating to the period/year attributable to the owners of the Company** | **165.0** | 30.7 | 445.1 |

(i) Previously the line items above, cash flow hedges mark to market (losses)/gains and cash flow hedges recycled in relation to hedges of debt were shown as a single line, cash flow hedges mark to market (losses)/gains with a net loss of €65.8 million and a net gain of €47.1 million disclosed in the period ended 30 June 2020 accounts and year ended 31 December 2020 accounts respectively.

(ii) The movements on cost of hedging reserve relate to both Cash Flow and Net Investment Hedges.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2021 Unaudited €m** | 31 December 2020 Audited €m | 30 June 2020 Unaudited €m |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | **4,404.8** | 4,308.2 | 4,407.8 |
| Investment property | | **5.9** | 5.9 | 6.0 |
| Intangible assets | | **18.8** | 20.7 | 20.8 |
| Investments including joint venture | | **26.9** | 30.8 | 17.0 |
| Restricted cash | | **0.9** | 1.5 | 1.6 |
| Derivative financial instruments | 12 | **91.1** | 110.0 | 76.2 |
| Deferred tax assets | | **103.0** | 114.2 | 176.0 |
| Contract assets | | **26.4** | 12.1 | - |
| | | **4,677.8** | 4,603.4 | 4,705.4 |
| **Current assets** | | | | |
| Inventories | | **181.2** | 122.4 | 147.1 |
| SWU assets | | **409.0** | 313.4 | 365.5 |
| Contract assets | | **12.7** | 16.3 | 12.6 |
| Trade and other receivables | | **214.6** | 236.6 | 121.4 |
| Derivative financial instruments | 12 | **25.6** | 126.0 | 107.1 |
| Income tax recoverable | | **105.8** | 45.0 | 124.7 |
| Short term deposits | 9 | **298.5** | 528.8 | 369.0 |
| Cash and cash equivalents | 10 | **277.3** | 630.0 | 422.6 |
| | | **1,524.7** | 2,018.5 | 1,670.0 |
| **TOTAL ASSETS** | | **6,202.5** | 6,621.9 | 6,375.4 |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | | **237.3** | 237.3 | 237.3 |
| Additional paid in capital | | **16.3** | 16.3 | 16.3 |
| Retained earnings | | **1,320.4** | 1,367.5 | 1,174.4 |
| Hedging reserves | 11 | **32.1** | 46.1 | (29.9) |
| Foreign currency translation reserve | | **289.8** | 213.7 | 218.4 |
| **Total equity** | | **1,895.9** | 1,880.9 | 1,616.5 |
| | | | | |
| **Non-current liabilities** | | | | |
| Interest bearing loans and borrowings | 12 | **1,054.5** | 1,060.4 | 1,161.1 |
| Trade and other payables | | **51.5** | 32.5 | 37.9 |
| Lease liabilities | | **19.9** | 18.2 | 18.2 |
| Provisions | 13 | **2,542.2** | 2,350.5 | 2,218.4 |
| Contract liabilities | | **76.5** | 74.4 | 52.3 |
| Derivative financial instruments | 12 | **68.7** | 64.6 | 151.1 |
| Deferred tax liabilities | | **225.5** | 159.1 | 89.4 |
| Retirement benefit obligations | 14 | **31.5** | 56.8 | 65.5 |
| | | **4,070.3** | 3,816.5 | 3,793.9 |
| **Current liabilities** | | | | |
| Interest bearing loans and borrowings | 12 | **-** | 534.3 | 534.1 |
| Trade and other payables | | **177.4** | 242.8 | 209.1 |
| Lease liabilities | | **1.9** | 1.6 | 1.8 |
| Provisions | 13 | **3.8** | 5.2 | 6.4 |
| Contract liabilities | | **35.6** | 61.4 | 44.6 |
| Derivative financial instruments | 12 | **14.4** | 51.9 | 130.5 |
| Income tax payable | | **3.2** | 27.3 | 38.5 |
| | | **236.3** | 924.5 | 965.0 |
| **Total liabilities** | | **4,306.6** | 4,741.0 | 4,758.9 |
| **TOTAL EQUITY AND LIABILITIES** | | **6,202.5** | 6,621.9 | 6,375.4 |

Registered Number 01022786
The financial statements were approved by the Directors and authorised for issue on 5 August 2021.

**Boris Schucht**
Chief Executive Officer

**Ralf ter Haar**
Chief Financial Officer

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital €m | Additional paid in capital €m | Retained earnings €m | Hedging reserves €m | Foreign currency translation reserve €m | Attributable to the owners of the Company €m |
|---|---|---|---|---|---|---|
| As at 31 December 2020 (Audited) | 237.3 | 16.3 | 1,367.5 | 46.1 | 213.7 | 1,880.9 |
| Income for the period | - | - | 84.8 | - | - | 84.8 |
| Other comprehensive income/(loss) | - | - | 18.1 | (14.0) | 76.1 | 80.2 |
| Total comprehensive income/(loss) | - | - | 102.9 | (14.0) | 76.1 | 165.0 |
| Equity dividend paid | - | - | (150.0) | - | - | (150.0) |
| As at 30 June 2021 (Unaudited) | **237.3** | **16.3** | **1,320.4** | **32.1** | **289.8** | **1,895.9** |

| | 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 2019 (Audited) | 237.3 | 16.3 | 1,310.0 | (14.9) | 337.1 | 1,885.8 |
| Income for the period | - | - | 172.7 | - | - | 172.7 |
| Other comprehensive loss | - | - | (8.3) | (15.0) | (118.7) | (142.0) |
| Total comprehensive income/(loss) | - | - | 164.4 | (15.0) | (118.7) | 30.7 |
| Equity dividend paid | - | - | (300.0) | - | - | (300.0) |
| As at 30 June 2020 (Unaudited) | 237.3 | 16.3 | 1,174.4 | (29.9) | 218.4 | 1,616.5 |

**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.

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Notes | **Six months ended 30 June 2021 Unaudited €m** | Six months ended 30 June 2020 Unaudited Re-presented(i) €m | Year ended 31 December 2020 Audited Re-presented(i) €m |
|---|---|---|---|---|
| **Income before tax** | | **177.9** | 252.2 | 666.4 |
| Adjustments to reconcile Group income before tax to net cash inflows from operating activities: | | | | |
| Share of joint venture results | | **(2.8)** | (1.2) | (13.8) |
| Depreciation and amortisation | 4 | **157.6** | 150.4 | 328.6 |
| Finance income | 4 | **(29.3)** | (75.7) | (85.5) |
| Finance cost | 4 | **61.3** | 119.7 | 167.9 |
| Loss on write off of property, plant and equipment | | **0.9** | - | 3.4 |
| Increase in provisions | | **47.1** | 20.2 | 94.1 |
| **Operating cash flows before movements in working capital** | | **412.7** | 465.6 | 1,161.1 |
| Increase in inventories | | **(56.4)** | (27.9) | (10.4) |
| Increase in SWU assets | | **(93.7)** | (73.4) | (26.5) |
| Decrease in receivables and other debtors | | **18.5** | 133.6 | 1.9 |
| (Decrease)/increase in payables and other creditors | | **(52.0)** | 0.6 | 45.3 |
| **Cash generated from operating activities** | | **229.1** | 498.5 | 1,171.4 |
| Income taxes paid | | **(103.9)** | (93.5) | (36.1) |
| **Net cash flow from operating activities** | | **125.2** | 405.0 | 1,135.3 |
| **Investing activities** | | | | |
| Interest received | | **22.1** | 27.6 | 49.7 |
| Payments in respect of settlement of debt hedges | | **(32.5)** | - | - |
| Maturity of short term deposits(i) | | **490.1** | 620.2 | 835.0 |
| Placement of short term deposits(i) | | **(259.8)** | (525.1) | (899.7) |
| Purchases of property, plant and equipment | | **(58.6)** | (68.3) | (150.8) |
| Purchase of intangible assets | | **-** | - | (1.0) |
| Decrease in investments including joint venture | | **12.5** | 5.0 | 5.0 |
| **Net cash flow used in investing activities** | | **173.8** | 59.4 | (161.8) |
| **Financing activities** | | | | |
| Interest paid | | **(44.7)** | (51.4) | (112.8) |
| Proceeds in respect of settlement of debt hedges | | **75.3** | - | - |
| Dividends paid to equity holders | | **(150.0)** | (300.0) | (450.0) |
| Repayment of borrowings | | **(534.4)** | - | (95.0) |
| Repayment of lease liabilities | | **(1.2)** | (1.3) | (2.5) |
| **Net cash flow from financing activities** | | **(655.0)** | (352.7) | (660.3) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(356.0)** | 111.7 | 313.2 |
| **Cash and cash equivalents at beginning of period/year** | | **630.0** | 323.2 | 323.2 |
| **Effect of foreign exchange rate changes** | | **3.3** | (12.3) | (6.4) |
| **Cash and cash equivalents at end of the period/year** | 10 | **277.3** | 422.6 | 630.0 |

(i) The Maturity of short term deposits and the Placement of short term deposits were disclosed as a net financing cash inflow of €95.1 million in the period ended 30 June 2020 and were presented within cash flows from financing activities in the year ended 31 December 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Urenco Limited is a limited company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 4. Urenco Limited is the ultimate holding company of the Urenco Group. The nature of the Group's operations and its principal activities are set out in note 4.

The Unaudited Interim Condensed Consolidated Financial Statements of the Group were authorised for issue by the Audit Committee on 5 August 2021, under an authority granted by the Board.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

**Basis of preparation**
The annual financial statements of Urenco Limited are prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB. The condensed set of financial statements included in this half-yearly financial report for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting', as issued by the IASB.

The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2020 Annual Report and Accounts.

The financial information contained in this report is unaudited. The Interim Condensed Consolidated Income Statement, the Interim Condensed Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Statement of Financial Position, the Interim Condensed Consolidated Statement of Changes in Equity and the Interim Condensed Consolidated Cash Flow Statement for the interim period to 30 June 2021 have been reviewed by the auditor. Their report to Urenco Limited is set out on page 13. The information for the year ended 31 December 2020 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the statutory accounts for the year ended on that date, which have been filed with the Registrar of Companies. The report of the auditor on the statutory accounts for the year ended 31 December 2020 was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

**Significant accounting policies**
The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

The nature of the critical accounting judgements and key sources of estimation uncertainty made by management of the Group and applied in the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2021 are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2020.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

**Going concern**

The Directors have assessed the latest forecast future cash flows, including appropriate sensitivities, which indicate that available cash and committed financing facilities in place are sufficient to cover the Group's cash needs for at least twelve months after the date of approval of these interim financial statements. They are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in accordance with IAS 34 in preparing the interim financial statements. The Directors have also considered the current COVID-19 outbreak, which is also mentioned on page 5 and 6.

## 3. REVENUES AND SEASONALITY OF OPERATIONS

The large majority of the Group's revenue arises from enrichment services for customers. Deliveries of separative work do not accrue evenly throughout the year. Demand for SWU is mainly driven by the reload demand patterns of the nuclear power plants, which often stretch beyond a year and to some extent can be viewed as seasonal. 36% of the Group's full year revenue fell in the first six months of 2020. Overall, the phasing of revenue between the first half and second half of 2021 is expected to be broadly similar to 2020.

The Group's revenues are denominated in euros and dollars. Revenues largely relate to the sale of enrichment services, feed and EUP. Sales are predominantly in accordance with long-term fixed price contracts and therefore the order book of existing contracts is not significantly impacted by changes in the market prices.

## 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 operating decision makers. The chief operating 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 are 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 $UF_6$ into $U_3O_8$.
- for construction of centrifuges: being Enrichment Technology Company Limited (ETC); the research, development, manufacture and installation of plant and equipment for the provision of enrichment services.
- other relates to Head Office based holding and financing companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited (UNS), which provides uranium handling services at the Capenhurst facility.

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. Finance costs and finance income are allocated to the segments in accordance with underlying liabilities and assets. The accounting policies for the reportable segments are the same as the Group's accounting policies.

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. EBITDA is reconciled to the relevant IFRS financial measure, Income/(loss) from operating activities in this note.

## 4. SEGMENT INFORMATION continued

Segment information for these businesses for the six months ended 30 June 2021 and 2020 respectively, and for the year ended 31 December 2020, is presented below:

| **Six months ended 30 June 2021 – Unaudited** | Enrichment business €m | ETC €m | Other [(i)] €m | **Consolidated €m** |
|---|---|---|---|---|
| **Revenue** | | | | |
| External sales | 549.0 | - | 16.0 | **565.0** |
| **Total Revenue** | 549.0 | - | 16.0 | **565.0** |
| | | | | |
| **Result** | | | | |
| Income/(loss) from operating activities | 214.5 | 3.2 | (7.8) | **209.9** |
| Finance income | 2.7 | - | 26.6 | **29.3** |
| Finance costs | (26.4) | - | (34.9) | **(61.3)** |
| Income/(loss) before tax | 190.8 | 3.2 | (16.1) | **177.9** |
| Income tax | (101.9) | - | 8.8 | **(93.1)** |
| Net income/(loss) for the period | 88.9 | 3.2 | (7.3) | **84.8** |
| | | | | |
| **Other information** | | | | |
| Depreciation and amortisation | 160.0 | - | (2.4) | **157.6** |
| Depreciation recognised in increased inventories and SWU assets | (37.5) | - | - | **(37.5)** |
| Depreciation expenses within net costs of nuclear provisions | (4.3) | - | - | **(4.3)** |
| Depreciation and amortisation for EBITDA calculation | 118.2 | - | (2.4) | **115.8** |
| | | | | |
| Income/(loss) from operating activities (post-exceptional items) | 214.5 | 3.2 | (7.8) | **209.9** |
| Exceptional items | - | - | - | **-** |
| Income/(loss) from operating activities (pre-exceptional items) | 214.5 | 3.2 | (7.8) | **209.9** |
| Depreciation and amortisation for EBITDA calculation | 118.2 | - | (2.4) | **115.8** |
| Joint venture results | - | (3.2) | 0.4 | **(2.8)** |
| EBITDA[(ii)] | 332.7 | - | (9.8) | **322.9** |
| | | | | |
| Capital additions: | | | | |
| Property, plant and equipment | 114.6 | - | 2.0 | **116.6** |
| Intangible assets | - | - | - | **-** |
| Contract assets | 14.6 | - | - | **14.6** |
| | | | | |
| Segment assets | 5,614.3 | 25.4 | 562.8 | **6,202.5** |
| | | | | |
| Segment liabilities | 2,685.2 | - | 1,621.4 | **4,306.6** |

(i) Other comprises Head Office based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited.

(ii) EBITDA is earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and net costs of nuclear provisions.

## 4. SEGMENT INFORMATION continued

| Six months ended 30 June 2020 – Unaudited | Enrichment business €m | ETC €m | Other (i) €m | Consolidated €m |
|---|---|---|---|---|
| **Revenue** | | | | |
| External sales | 603.1 | - | 14.2 | 617.3 |
| **Total Revenue** | 603.1 | - | 14.2 | 617.3 |
| | | | | |
| **Result** | | | | |
| Income/(loss) from operating activities | 302.9 | 1.2 | (7.9) | 296.2 |
| Finance income | 4.2 | - | 71.5 | 75.7 |
| Finance costs | (31.0) | - | (88.7) | (119.7) |
| Income/(loss) before tax | 276.1 | 1.2 | (25.1) | 252.2 |
| Income tax | (80.7) | - | 1.2 | (79.5) |
| Net income/(loss) for the period | 195.4 | 1.2 | (23.9) | 172.7 |
| | | | | |
| **Other information** | | | | |
| Depreciation and amortisation | 151.5 | - | (1.1) | 150.4 |
| Depreciation recognised in increased inventories and SWU assets | (33.2) | - | - | (33.2) |
| Depreciation expenses within net costs of nuclear provisions | (0.2) | - | - | (0.2) |
| Depreciation and amortisation for EBITDA calculation | 118.1 | - | (1.1) | 117.0 |
| | | | | |
| Income/(loss) from operating activities (post-exceptional items) | 302.9 | 1.2 | (7.9) | 296.2 |
| Exceptional items | 25.6 | - | - | 25.6 |
| Income/(loss) from operating activities (pre-exceptional items) | 328.5 | 1.2 | (7.9) | 321.8 |
| Depreciation and amortisation for EBITDA calculation | 118.1 | - | (1.1) | 117.0 |
| Joint venture results | - | (1.2) | - | (1.2) |
| EBITDA(ii) | 446.6 | - | (9.0) | 437.6 |
| | | | | |
| Capital additions: | | | | |
| Property, plant and equipment | 126.4 | - | 2.5 | 128.9 |
| Intangible assets | - | - | - | - |
| Contract assets | - | - | - | - |
| | | | | |
| Segment assets | 5,306.9 | 15.6 | 1,052.9 | 6,375.4 |
| | | | | |
| Segment liabilities | 2,880.5 | - | 1,878.4 | 4,758.9 |

(i) Other comprises Head Office based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited.

(ii) EBITDA is earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and net costs of nuclear provisions.

## 4. SEGMENT INFORMATION continued

| Year ended 31 December 2020 – Audited | Enrichment business €m | ETC €m | Other (i) €m | Consolidated €m |
|---|---|---|---|---|
| **Revenue** | | | | |
| External sales | 1,668.3 | - | 31.8 | 1,700.1 |
| **Total Revenue** | 1,668.3 | - | 31.8 | 1,700.1 |
| | | | | |
| **Result** | | | | |
| Income/(loss) from operating activities | 743.8 | 14.1 | (9.1) | 748.8 |
| Finance income | 9.5 | - | 76.0 | 85.5 |
| Finance costs | (63.4) | - | (104.5) | (167.9) |
| Income/(loss) before tax | 689.9 | 14.1 | (37.6) | 666.4 |
| Income tax | (178.7) | - | 17.6 | (161.1) |
| Net income/(loss) for the year | 511.2 | 14.1 | (20.0) | 505.3 |
| | | | | |
| **Other information** | | | | |
| Depreciation and amortisation | 330.9 | - | (2.3) | 328.6 |
| Depreciation recognised in increased inventories and SWU assets | 3.8 | - | - | 3.8 |
| Depreciation expenses within net costs of nuclear provisions | (4.9) | - | - | (4.9) |
| Depreciation and amortisation for EBITDA calculation | 329.8 | - | (2.3) | 327.5 |
| | | | | |
| Income/(loss) from operating activities (post-exceptional items) | 743.8 | 14.1 | (9.1) | 748.8 |
| Exceptional items | 25.6 | - | - | 25.6 |
| Income/(loss) from operating activities (pre-exceptional items) | 769.4 | 14.1 | (9.1) | 774.4 |
| Depreciation and amortisation for EBITDA calculation | 329.8 | - | (2.3) | 327.5 |
| Joint venture results | - | (14.1) | 0.3 | (13.8) |
| EBITDA(ii) | 1,099.2 | - | (11.1) | 1,088.1 |
| | | | | |
| Capital additions: | | | | |
| Property, plant and equipment | 288.5 | - | 15.0 | 303.5 |
| Intangible assets | 1.0 | - | - | 1.0 |
| Contract assets | 22.4 | - | - | 22.4 |
| | | | | |
| Segment assets | 5,364.9 | 29.3 | 1,227.7 | 6,621.9 |
| | | | | |
| Segment liabilities | 2,576.0 | - | 2,165.0 | 4,741.0 |

(i) Other comprises Head Office based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited.

(ii) EBITDA is earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and net costs of nuclear provisions.

## 5. 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 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 €25.0 million on a pre-tax basis.

For H1 2021 no exceptional items have been identified (H1 2020: loss of €25.6 million).

The exceptional item recognised in H1 2020 and presented within Net costs of nuclear provisions on the face of the Interim condensed consolidated income statement was a charge of €25.6 million on a pre and post-tax basis. This exceptional charge related to an increase in the tails provisions in the US and was due to a decrease in the real discount rate from 1.96% to 1.22%. This material change to the US rate was considered exceptional in nature as the Group's assumptions had remained unchanged for many years.

The gross amounts allocated to each type of provision and its impact on the Interim condensed consolidated income statement are disclosed in note 13.

The table below summarises the impact of the exceptional items on income from operating activities, income tax, net income and earnings per share.

### Impact of exceptional items

| | **Six months ended 30 June** | | Year ended 31 December |
|---|---|---|---|
| | **2021** | 2020 | 2020 |
| | **Unaudited** | Unaudited | Audited |
| | **€m** | €m | €m |
| Income from operating activities – pre-exceptional items | **209.9** | 321.8 | 774.4 |
| Exceptional items – net costs of nuclear provisions | **-** | (25.6) | (25.6) |
| **Income from operating activities** | **209.9** | 296.2 | 748.8 |
| Income tax expense – pre-exceptional items | **(93.1)** | (79.5) | (161.1) |
| Exceptional items | **-** | - | - |
| **Income tax expense** | **(93.1)** | (79.5) | (161.1) |
| Net income for the period/year attributable to the owners of the Company – pre-exceptional items | **84.8** | 198.3 | 530.9 |
| Exceptional items | **-** | (25.6) | (25.6) |
| **Net income for the period/year attributable to the owners of the Company** | **84.8** | 172.7 | 505.3 |
| Basic earnings per share – pre-exceptional items | **€0.5** | €1.2 | €3.2 |
| Exceptional items | **-** | €(0.2) | €(0.2) |
| **Basic earnings per share** | **€0.5** | €1.0 | €3.0 |

## 6. INCOME TAX

The major components of income tax expense in the consolidated income statement are:

| | **Six months ended 30 June** | | Year ended 31 December |
|---|---|---|---|
| | **2021 Unaudited €m** | 2020 Unaudited €m | 2020 Audited €m |
| **Current tax** | | | |
| UK corporation tax | **(12.2)** | **8.1** | 0.4 |
| Foreign income tax | **27.6** | **46.7** | 104.0 |
| Adjustments in respect of prior periods | **(1.2)** | **(0.1)** | (53.5) |
| Total current tax expense | **14.2** | **54.7** | 50.9 |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | **33.4** | **20.5** | 58.4 |
| Adjustments in respect of prior periods | **-** | **-** | 30.4 |
| Movement in unrecognised deferred tax | **-** | **(6.2)** | 5.5 |
| Impact of change in tax rate on deferred tax | **45.5** | **10.5** | 15.9 |
| Total deferred tax expense | **78.9** | **24.8** | 110.2 |
| **Income tax expense reported in the consolidated income statement** | **93.1** | **79.5** | 161.1 |

The tax charged in the interim period has been calculated by applying the effective tax rate which is expected to apply to each Group member in the year ending 31 December 2021 to their respective results for the interim period, using rates substantively enacted by the reporting date.

The Group's ETR for the 2021 interim period is 52.3%, which is higher than the 2020 interim period rate of 31.5%. The increase in ETR is driven predominately by a revaluation of the net opening UK deferred tax liability following an increase in tax rate from 19.0% to 25.0%.

The UK corporation tax income of €12.2 million compares to a UK corporation tax expense in the prior period (H1 2020: €8.1 million expense). This change arises predominately from a combination of lower UK accounting profits, together with a change in the amount of foreign currency movements excluded from tax under the UK disregard regulations. The foreign income tax expense has decreased by €19.1 million to €27.6 million (H1 2020: €46.7 million) predominately as a result of lower accounting profits.

There was no movement in unrecognised deferred tax in the period (H1 2020: €6.2 million income). The H1 2020 movement consisted of a €12.8 million income in relation to non-exceptional items offset by a €6.6 million expense in relation to exceptional items.

During H1 2021, an increase in the mainstream rate of UK corporation tax from 19.0% to 25.0%, effective 1 April 2023, was substantively enacted. As a result, the Group has revalued its net UK deferred tax liabilities from 19.0% to 25.0%, resulting in a €45.5 million expense through the consolidated income statement. This compares to an expense of €10.5 million recorded in H1 2020, resulting from the enactment of an increase in the mainstream rate of UK corporation tax from 17.0% to 19.0%. The average annual UK corporation tax rate for the year ending 31 December 2021 will be 19.0% (2020: 19.0%). The Group’s UK deferred tax assets and liabilities have been valued using a 25.0% tax rate (H1 2020: 19.0%).

During H2 2020, the enacted reduction in the Netherlands mainstream corporation tax rate from 25.0% to 21.7%, effective 1 January 2021, was cancelled. Consequently, the Group's Dutch deferred tax assets and liabilities have been valued using a 25.0% tax rate (H1 2020: 21.7%).

## 6. INCOME TAX continued

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.

## 7. DIVIDENDS PAID AND PROPOSED

| | **Six months ended 30 June** | | Year ended 31 December |
|---|---|---|---|
| | **2021** | 2020 | 2020 |
| | **Unaudited** | Unaudited | Audited |
| | **€m** | €m | €m |
| *Amounts recognised as distributions to equity holders in the period:* | | | |
| Final dividend for the year ended 31 December 2020: 89.29 cents per share, €150.0 million, paid in March 2021 | **150.0** | - | - |
| Interim dividend for the year ended 31 December 2020: 89.29 cents per share, paid in December 2020 | **-** | - | 150.0 |
| Final dividend for the year ended 31 December 2019: 178.57 cents per share, €300.0 million paid in March 2020 | **-** | 300.0 | 300.0 |
| Total | **150.0** | 300.0 | 450.0 |

The final proposed dividend of €150.0 million for the year ended 31 December 2020 was approved by shareholders on 10 March 2021 and was paid to shareholders on 24 March 2021. No Interim dividend for the year ending 31 December 2021 has been proposed or paid.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets and capitalised costs with a value of €116.6 million (six months ended 30 June 2020: €128.9 million; year ended 31 December 2020: €303.5 million), relating to property, plant and equipment. The majority of this cost relates to assets for the enrichment plants and for the Tails Management Facility.

See also note 15 for capital commitments.

## 9. SHORT TERM DEPOSITS

| | **At 30 June** | | At 31 December |
|---|---|---|---|
| | **2021** | 2020 | 2020 |
| | **Unaudited** | Unaudited | Audited |
| | **€m** | €m | €m |
| Short term deposits | **298.5** | 369.0 | 528.8 |

Short term 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

| | At 30 June | | At 31 December |
|---|---|---|---|
| | **2021** | 2020 | 2020 |
| | **Unaudited** | Unaudited | Audited |
| | **€m** | €m | €m |
| Cash | **115.3** | 83.4 | 95.1 |
| Cash equivalents | **162.0** | 339.2 | 534.9 |
| Cash and cash equivalents | **277.3** | 422.6 | 630.0 |

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.

The Group has pledged collateral to three banks that provide standby letters of credit in favour of the NRC to provide financial assurance that funds are available when needed to pay for the decommissioning and tails liabilities of UUSA. The carrying value of the collateral accounts at 30 June 2021, which earn interest at variable rates of interest, was €103.8 million (30 June 2020: Nil; 31 December 2020: €27.0 million).

## 11. HEDGING RESERVES

### Hedging reserve - summary

| | **Period ended 30 June** **2021** **Unaudited** | 2020 Unaudited Re-presented[(i)] | Year ended 31 December 2020 Audited Re-presented[(i)] |
|---|---|---|---|
| | **€m** | €m | €m |
| As at 1 January | **58.6** | (4.1) | (4.1) |
| Other comprehensive income/(expense): | | | |
| Cash flow hedges – recycled in relation to hedges of revenue | **(6.9)** | 22.1 | 38.9 |
| Cash flow hedges – recycled in relation to hedges of debt[(i)] | **33.7** | (68.9) | (49.6) |
| Cash flow hedges – mark to market (losses)/gains[(i)] | **(52.9)** | 3.1 | 96.7 |
| Deferred tax income/(expense) | **6.0** | 14.1 | (23.1) |
| Current tax income/(expense) | **0.7** | (8.4) | (7.7) |
| Exchange differences | **5.1** | 20.1 | 7.5 |
| Other comprehensive (expense)/income | **(14.3)** | (17.9) | 62.7 |
| Carried forward as at 30 June/31 December | **44.3** | (22.0) | 58.6 |

### Cost of hedging reserve - summary

| | **Period ended 30 June** **2021** **Unaudited** | 2020 Unaudited | Year ended 31 December 2020 Audited |
|---|---|---|---|
| | **€m** | €m | €m |
| As at 31 December | **(12.5)** | (10.8) | (10.8) |
| Other comprehensive income/(expense): | | | |
| Movements before tax | **1.6** | (0.5) | (6.7) |
| Deferred tax (expense)/income | **(0.8)** | 2.7 | 4.3 |
| Exchange differences | **(0.5)** | 0.7 | 0.7 |
| Other comprehensive income/(expense) | **0.3** | 2.9 | (1.7) |
| Carried forward as at 30 June/31 December | **(12.2)** | (7.9) | (12.5) |

### Hedging reserves - totals

| | | | |
|---|---|---|---|
| Carried forward as at 30 June/31 December | **32.1** | (29.9) | 46.1 |

(i) Previously the line items above, cash flow hedges mark to market (losses)/gains and cash flow hedges recycled in relation to hedges of debt were shown as a single line, cash flow hedges mark to market (losses)/gains with a net loss of €65.8 million and a net gain of €47.1 million disclosed in the period ended 30 June 2020 accounts and year ended 31 December 2020 accounts respectively.

### 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.

## 12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 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 receipted 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.

As at 30 June 2021, the net liability of the FFECs was €34.0 million (31 December 2020: net asset of €58.3 million), with the movement driven principally by the weakening of the forward foreign exchange rate of EUR against US dollar in the first half of the year. The vast majority of FFECs are designated as cash flow hedges, with the gains and losses deferred in the hedge reserve and the cost of hedging reserve within equity.

During the period, €6.9 million of hedging losses (H1 2020: losses of €22.1 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 euro and yen debt instruments into sterling as they are held by Urenco Limited, a sterling functional currency entity. The Group's portfolio of CCIRSs help to manage the foreign exchange volatility which would be recognised through the income statement.

The CCIRSs are split into two legs, the first leg swaps foreign currency 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 US subsidiaries (Urenco USA Inc. and Louisiana Energy Services LLC).

As at 30 June 2021, the Group's portfolio of CCIRSs was held at a liability of €4.6 million (31 December 2020: asset of €49.1 million). In February 2021, CCIRS with a combined nominal value of €425.0 million contractually matured and resulted in net cash proceeds of €42.8 million.

The notional value of currency swaps in a net investment hedge detailed above, total $0.5 billion (31 December 2020: $0.9 billion) and hedge the Group's investment in US subsidiaries (Urenco USA Inc. and Louisiana Energy Services LLC). Also included in loans at 30 June 2021 were borrowings of €0.6 billion (31 December 2020: €0.7 billion), which have been designated as hedges of the net investment in the Group's European subsidiaries. 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.

**Uranium commodity contracts**
Uranium commodity contracts are contracts to buy or sell uranium commodities that do not meet the own use exemption under IFRS 9. The fair value of such contracts was a net asset of €4.2 million as at 30 June 2021 (31 December 2020: net asset of €12.1 million). The fair value has decreased due to the maturity of €6.7 million net assets worth of contracts in the first half of the year.

**Borrowing and repayment of debt**
The Group repaid the remaining amount of the €534.4 million Eurobond on the maturity date of 15 February 2021 (H1 2020: Nil). The total amount paid to the bond holders was €547.8 million, which included interest of €13.4 million.

The Group has an undrawn €750.0 million medium term revolving credit facility which matures in 2023.

As at 30 June 2021, total current interest bearing loans and borrowings were €Nil (31 December 2020: €534.3 million), and total non-current interest bearing loans and borrowings were €1,054.5 million (31 December 2020: €1,060.4 million).

## 12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

**Borrowing and repayment of debt continued**

The calculation of net debt as at 30 June 2021 and 31 December 2020 is set out below:

| | **At 30 June 2021 €m** | At 31 December 2020 €m |
|---|---|---|
| Non-current interest bearing loans and borrowings | **1,054.5** | 1,060.4 |
| Non-current lease liabilities | **19.9** | 18.2 |
| Current interest bearing loans and borrowings | **-** | 534.3 |
| Current lease liabilities | **1.9** | 1.6 |
| Less: Short term deposits | **(298.5)** | (528.8) |
| Less: Cash and cash equivalents | **(277.3)** | (630.0) |
| Net debt | **500.5** | 455.7 |

**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.

Derivative financial instruments are initially recognised, categorised as Level 2 and are subsequently re-measured 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.

## 12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

As at 30 June 2021, the Group held the following financial instruments, measured at fair value, all at a Level 2 hierarchy:

| | **At 30 June 2021 €m** | At 31 December 2020 €m |
|---|---|---|
| **Financial assets at fair value** | | |
| Forward Foreign Exchange Contracts – hedged | **54.2** | 72.4 |
| Forward Foreign Exchange Contracts – non hedged | **10.5** | 6.6 |
| Cross Currency Interest Rate Swaps – hedged | **44.6** | 140.5 |
| Commodity contracts at fair value– non hedged | **7.4** | 16.5 |
| Total assets measured at fair value | **116.7** | 236.0 |
| **Financial liabilities at fair value** | | |
| Forward Foreign Exchange Contracts – hedged | **(28.8)** | (19.4) |
| Forward Foreign Exchange Contracts – non hedged | **(1.9)** | (1.3) |
| Cross Currency Interest Rate Swaps – hedged | **(49.2)** | (91.4) |
| Commodity contracts at fair value– non hedged | **(3.2)** | (4.4) |
| Total liabilities measured at fair value | **(83.1)** | (116.5) |
| Net FFEC asset | **34.0** | 58.3 |
| Net CCIRS (liability)/asset | **(4.6)** | 49.1 |
| Net commodity assets at fair value | **4.2** | 12.1 |
| Total net asset | **33.6** | 119.5 |

## 13. PROVISIONS

| **Six months ended 30 June 2021** | **Tails €m** | **Decommissioning of plant and machinery €m** | **Re-enrichment of low assay feed €m** | **Other €m** | **Total €m** |
|---|---|---|---|---|---|
| As at 1 January 2021 – Audited | **1,364.7** | **840.1** | **131.4** | **19.5** | **2,355.7** |
| Additional provision | **104.7** | **46.3** | **27.5** | **1.8** | **180.3** |
| Unwinding of discount | **20.4** | **12.1** | **1.1** | **-** | **33.6** |
| Utilisation of provision | **(18.2)** | **(2.5)** | **(35.9)** | **(5.9)** | **(62.5)** |
| Release of provision | **(14.7)** | **(1.2)** | **-** | **(0.2)** | **(16.1)** |
| Exchange difference | **34.9** | **16.0** | **3.5** | **0.6** | **55.0** |
| As at 30 June 2021 – Unaudited | **1,491.8** | **910.8** | **127.6** | **15.8** | **2,546.0** |
| Included in current liabilities | | | | | **3.8** |
| Included in non-current liabilities | | | | | **2,542.2** |
| | | | | | **2,546.0** |

| Six months ended 30 June 2020 | **Tails €m** | **Decommissioning of plant and machinery €m** | **Re-enrichment of low assay feed €m** | **Other €m** | **Total €m** |
|---|---|---|---|---|---|
| As at 1 January 2020 – Audited | 1,270.5 | 712.9 | 159.4 | 44.2 | 2,187.0 |
| Additional provision | 122.2 | 43.8 | 42.5 | 4.5 | 213.0 |
| Unwinding of discount | 22.0 | 11.6 | 1.3 | - | 34.9 |
| Utilisation of provision | (18.2) | (2.5) | (46.2) | (7.7) | (74.6) |
| Release of provision | (52.8) | (5.8) | - | (17.6) | (76.2) |
| Exchange difference | (41.4) | (15.3) | (1.7) | (0.9) | (59.3) |
| As at 30 June 2020 – Unaudited | 1,302.3 | 744.7 | 155.3 | 22.5 | 2,224.8 |
| Included in current liabilities | | | | | 6.4 |
| Included in non-current liabilities | | | | | 2,218.4 |
| | | | | | 2,224.8 |

| **Year ended 31 December 2020** | **Tails €m** | **Decommissioning of plant and machinery €m** | **Re-enrichment of low assay feed €m** | **Other €m** | **Total €m** |
|---|---|---|---|---|---|
| As at 1 January 2020 - Audited | 1,270.5 | 712.9 | 159.4 | 44.2 | 2,187.0 |
| Additional provision | 250.8 | 141.0 | 71.0 | 6.8 | 496.6 |
| Unwinding of discount | 43.4 | 23.3 | 2.3 | - | 69.0 |
| Utilisation of provision | (42.0) | (8.9) | (91.7) | (11.2) | (153.8) |
| Release of provision | (105.0) | (11.7) | - | (19.0) | (135.7) |
| Transfers | - | - | - | (0.1) | (0..1) |
| Exchange difference | (53.0) | (16.5) | (9.6) | (1.2) | (80.3) |
| As at 31 December 2020 - Audited | 1,364.7 | 840.1 | 131.4 | 19.5 | 2,355.7 |
| Included in current liabilities | | | | | 5.2 |
| Included in non-current liabilities | | | | | 2,350.5 |
| | | | | | 2,355.7 |

## 13. PROVISIONS continued

The net costs of nuclear provisions of €86.1 million (H1 2020: €62.5 million, FY 2020: €163.8 million) recognised in the income statement are set out below:

**Six months ended 30 June 2021**

| | Tails disposal €m | Decommissioning of plant and machinery €m | Re-enrichment low assay feed €m | Total €m |
|---|---|---|---|---|
| Additional provision for the period | **104.7** | **5.7** | **27.5** | **137.9** |
| Change in discount rates – ordinary course | **-** | **-** | **-** | **-** |
| Change in discount rates – exceptional | **-** | **-** | **-** | **-** |
| Release of provision | **(14.7)** | **(1.2)** | **-** | **(15.9)** |
| Utilisation of provision | **-** | **-** | **(35.9)** | **(35.9)** |
| Charged/(credited) to income statement H1 2021 | **90.0** | **4.5** | **(8.4)** | **86.1** |

**Six months ended 30 June 2020**

| | Tails disposal €m | Decommissioning of plant and machinery €m | Re-enrichment low assay feed €m | Total €m |
|---|---|---|---|---|
| Additional provision for the period | 89.8 | 1.3 | 42.5 | 133.6 |
| Change in discount rates – ordinary course | 6.8 | 1.3 | - | 8.1 |
| Change in discount rates – exceptional | 25.6 | - | - | 25.6 |
| Release of provision | (52.8) | (5.8) | - | (58.6) |
| Utilisation of provision | - | - | (46.2) | (46.2) |
| Charged/(credited) to income statement H1 2020 | 69.4 | (3.2) | (3.7) | 62.5 |

**Year ended 31 December 2020**

| | Tails disposal €m | Decommissioning of plant and machinery €m | Re-enrichment low assay feed €m | Total €m |
|---|---|---|---|---|
| Additional provision in the year | 123.7 | 14.9 | 71.0 | 209.6 |
| Change in discount rates – ordinary course | 101.5 | 35.5 | - | 137.0 |
| Change in discount rates – exceptional | 25.6 | - | - | 25.6 |
| Release of provision | (105.0) | (11.7) | - | (116.7) |
| Utilisation of provision | - | - | (91.7) | (91.7) |
| Charged to income statement 2020 | 145.8 | 38.7 | (20.7) | 163.8 |

### 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. The rates remain unchanged from 31 December 2020.

| | Inflation Rate | Nominal Discount Rate | Real Discount Rate |
|---|---|---|---|
| | **30 Jun 2021** | **30 Jun 2021** | **30 Jun 2021** |
| USA | 2.10% | 3.35% | 1.22% |
| UK | 2.00% | 3.25% | 1.23% |
| Germany | 1.50% | 2.25% | 0.74% |
| The Netherlands | 1.75% | 2.25% | 0.49% |

## 13. PROVISIONS continued

### 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 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. The TMF has just entered into operation on a test basis, but as at 30 June 2021 the amount deconverted is not significant. The availability and cost of a repository suitable for the final disposal of depleted $U_3O_8$ 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.

During the period the tails provision increased by €104.7 million (year to 31 December 2020: €250.8 million) due to tails generated in that period and an increase in the applied tails rate. Expenditure incurred during the period for the safe deconversion, storage and disposal of tails of €18.2 million (year to 31 December 2020: €42.0 million) have been utilised against the provision. A provision release of €14.7 million (year to 31 December 2020: €105.0 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 €594.9 million of the tails provision will be used within the next 10 years, €613.7 million of the provision will be used within the next 10 to 30 years and €283.2 million will be used within the next 30 to 100 years. The tails provisions held at 30 June 2021 comprised €1,137.5 million (31 December 2020: €1,040.6 million) of discounted future cash flows and €354.3 million (31 December 2020: €324.1 million) of discounted future depreciation of assets currently at cost held for the purpose of meeting tails liabilities.

### 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. 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.

During the period the decommissioning provision increased by €46.3 million (year to 31 December 2020: €141.0 million) due to the installation of additional plant and machinery of €34.0 million (year to 31 December 2020: €19.6 million), additional container purchases of €5.6 million (year to 31 December 2020: €14.0 million) and €6.7 million due to revised assumptions surrounding the decommissioning of plant and machinery (year to 31 December 2020: €107.4 million). Of the €6.7 million (year to 31 December 2020: €107.4 million) resulting from revised assumptions, €5.7 million (year to 31 December 2020: €50.3 million) has been expensed to the Income Statement and €1.0 million (year to 31 December 2020: €57.1 million) has been recognised in decommissioning assets. A provision release of €1.2 million (year to 31 December 2020: €11.7 million) was recorded reflecting the disposal of some cylinders previously used for storage of uranium.

## 13. PROVISIONS continued

**Provision for decommissioning of plant and machinery continued**
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 50 years.

**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 period, the provisions relating to the future re-enrichment of low assay feed increased by €27.5 million (year to 31 December 2020: €71.0 million) due to the creation of low assay feed and reduced by €35.9 million (year to 31 December 2020: €91.7 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.

During H1 2020 a provision of €17.4 million that had been initially recognised in 2018 was reversed. This provision related to the potential clawback of monies received from sales to a US customer as a result of Chapter 11 bankruptcy proceedings which have now been completed.

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.

## 14. RETIREMENT BENEFIT OBLIGATIONS

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. During the period, the Group sponsored defined benefit plans for qualifying employees of its subsidiaries in the UK and Germany and defined contributions 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 the Urenco's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis by employee to enable correct accounting across the subsidiaries.

There was a €25.3 million decrease in the overall Group pension liability during the six month period ended 30 June 2021 (30 June 2020: €0.3 million increase; 31 December 2020: €8.4 million decrease). This decrease was driven by reductions of both the UK and German pension liabilities due to increases in discount rates.

During the period, Group companies contributed €5.6 million (30 June 2020: €7.9 million) for the benefit of employees into post-employment benefit plans.

The most recent actuarial assessments for the UK defined benefit scheme were carried out at 5 April 2018. The Group continues to make deficit repair payments of £6.6 million per annum and this is expected to continue until 2022.

The Group closed the UK defined benefit pension scheme for further accrual from 5 April 2017 for most Group employees.

## 15. COMMITMENTS AND CONTINGENCIES

### Contingent Liabilities

The Group has provided assurance to the NRC in the form of letters of credit and surety bonds that funds are available when needed to pay for nuclear liabilities of UUSA. The total amount of these assurances at 30 June 2021 exceeds the value of the recognised nuclear liabilities of UUSA in the consolidated statement of financial position at the same date by €201.2 million. These assurances exceed the nuclear liabilities recognised, because they use the undiscounted decommissioning and tails costs as their base.

The Group is subject to various claims which arise in the ordinary course of business. Having taken appropriate legal advice, the Group believes that a material liability arising from these claims is remote.

### Capital commitments

At 30 June 2021 the Group had capital commitments of €35.7 million (30 June 2020: €35.8 million; 31 December 2020: €40.1 million) relating to property, plant and equipment principally in relation to cascades, equipment and buildings.

## 16. RELATED PARTY TRANSACTIONS

During the period, Group companies entered into the following transactions with the following related parties who are not members of the Group. The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2021 and 30 June 2020 (both Unaudited) and the balances with related parties at 30 June 2020 (Unaudited) and at 31 December 2020 (Audited):

| | **Sales of Goods & Services Period ended** | | **Purchases of Goods & Services Period ended** | | **Amounts Owed by Related Parties Period ended** | | **Amounts Owed to Related Parties Period ended** | |
|---|---|---|---|---|---|---|---|---|
| | **30/06/21 €m** | 30/06/20 €m | **30/06/21 €m** | 30/06/20 €m | **30/06/21 €m** | 31/12/20 €m | **30/06/21 €m** | 31/12/20 €m |
| BEIS | **15.5** | 14.1 | **-** | - | **3.4** | 2.5 | **-** | - |
| E.ON | **-** | - | **6.9** | 6.8 | **-** | **-** | **-** | |
| RWE | **-** | - | **0.1** | 0.2 | **-** | **-** | **-** | - |
| ETC[(i)] | **-** | - | **29.4** | 30.4 | **-** | - | **52.7** | 63.6 |

(i) These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

The Department for Business, Energy & Industrial Strategy (BEIS), E.ON SE (E.ON) and RWE AG (RWE) are related parties of the Group because of their indirect shareholdings in Urenco Limited. BEIS is a department of the UK government and 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. The amounts due by related parties represent the net amount after deduction for a loss allowance for expected credit losses.

The Enrichment Technology Company Limited pension scheme is administered as part of the Urenco pension scheme. Included in Urenco's share of Joint Venture results and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amount in the share of Joint Venture results in respect of the defined benefit schemes is a charge of €0.8 million relating to the Joint Venture (30 June 2020 €0.7 million charge). Included in the share of net assets of the Joint Venture as a liability is €20.5 million relating to the Joint Venture (31 December 2020: €27.0 million).

During the period, Group companies contributed €5.6 million (30 June 2020: €7.9 million) for the benefit of employees into post-employment benefit plans.

## 16. 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.

| | **Six months ended 30 June** | | Year ended 31 December |
|---|---|---|---|
| | **2021** | 2020 | 2020 |
| | **Unaudited** | Unaudited | Audited |
| | **€m** | €m | €m |
| Short-term employee benefits | **1.5** | 1.4 | 3.0 |
| Long-term incentive benefits | **0.3** | 0.4 | 0.6 |
| | **1.8** | 1.8 | 3.6 |

### Directors' transactions

None of the directors has had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, covered above.

## 17. EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events that require disclosure.

## DEFINITIONS

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

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

**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 low assay feed.

**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 Income** – Income for the period attributable to equity holders of the parent.

**NRC** – The Nuclear Regulatory Commission is an independent agency of the US government established under the Energy Reorganization Act of 1974 to ensure adequate protection of the public health and safety, the common defence and security, and the environment in the use of nuclear materials in the USA.

**Order Book** – Contracted and agreed business estimated on the basis of “requirements” and “fixed commitment” contracts.

**Other Operating and Administrative Expenses** – Expenses comprising Changes to inventories, Raw materials and consumables, Employee costs, Restructuring charges, and Other expenses, but excluding the Net costs of nuclear provisions and any associated elements of depreciation.

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

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

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

**Uranium related sales** – Sales of uranium in the form of $UF_6$, $U_3O_8$ or the $UF_6$ component of EUP.