

Urenco Limited

Interim Financial Statements

FOR THE 6 MONTHS ENDED 30 JUNE 2019

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The Urenco Group

Urenco is a provider of uranium enrichment services and fuel cycle products to the world's nuclear energy industry. The Urenco Group head office is located close to London, UK. With plants in Germany, the Netherlands, the UK and the USA, it operates in a pivotal area of the nuclear fuel supply chain which enables the sustainable generation of electricity for consumers around the world.

Utilising Urenco's own centrifuge technology, Urenco provides safe, cost-effective and reliable uranium enrichment services for power generation within a framework of high environmental, social and corporate responsibility standards.

For more information, please visit www.urencocom

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CORPORATE INFORMATION

Board of Directors

Non-executive Directors

Stephen Billingham	Chairman
Mel Kroon	Non-Executive (appointed 1 September 2018)
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 (appointed 1 May 2019)
Thomas Haerberle	Chief Executive Officer (resigned 31 March 2019)
Ralf ter Haar	Chief Financial Officer

Company Secretary

Sarah Newby

Registered Office

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

Registered No.1022786

Website:

www.urencocom

Auditor

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

Urenco Group - Half-Year 2019 Unaudited Financial Results

Summary

- Revenue up €32.7 million (4.2% increase on H1 2018) and EBITDA⁽ⁱ⁾ up €88.9 million (18.0% increase on H1 2018) due to favourable phasing of deliveries and continued strong operational performance.
- Net income up by €89.0 million primarily due to improved EBITDA performance.
- Strong cash generation from operating activities of €463.3 million (1.2% increase on H1 2018) and successful tender to buy back €215.6 million of Eurobonds.
- Contract order book has an approximate value of €11.2 billion (€11.9 billion as at 31 December 2018), providing visibility of future short to medium term cash flows.
- Strong safety performance with improved safety culture and no work-related lost-time injuries for 20 months.
- Continuing to deliver on our strategic objectives through cost savings, increased global reach and exploration of new business opportunities.
- The long term market outlook for enrichment continues to be challenging but Urenco remains well positioned to support future growth in the nuclear industry.

Financial highlights

(€ million)	Six months to 30 June 2019 (unaudited)	Six months to 30 June 2018 (unaudited)
	€m	€m
Revenue	804.6	771.9
EBITDA⁽ⁱ⁾	582.9	494.0
EBITDA margin - %	72.4%	64.0%
Income from operating activities	418.9	331.6
Net income	273.5	184.5
Net income margin - %	34.0%	23.9%
Capital expenditure	54.2	96.3
Cash generated from operating activities	463.3	457.7

(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 21.

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

“Urenco’s half year results for 2019 reflect our strong financial and operational performance in addition to the positive progress made in the delivery of our strategic objectives. We continue to focus on enhancing our impressive safety performance, minimising the environmental impact of our operations and further promoting the safe and inclusive nature of our culture across the organisation.

Revenue is up in the first six months of 2019 compared to 2018 reflecting the phasing of deliveries, with the second half of the year expected to account for a similar level of sales as the first six months of 2019. EBITDA is favourable due to higher revenue and lower total costs. Net income also increased, reflecting the higher EBITDA together with lower net finance costs, partially offset by higher tax charges. The enrichment market remains challenging, with ongoing pricing pressures increasingly reflected in the decreasing value of our contract order book.

Nuclear plays an important role in meeting the global demand for a continuous and secure supply of low carbon energy. Urenco is well positioned to support this through our strategy. We will ensure we remain a global leader in enrichment services and are exploring new opportunities in Eastern Europe and Asia in particular. We are also looking to increase our business in the back-end of the nuclear fuel cycle, including decommissioning activities, through our UK subsidiary Urenco Nuclear Stewardship. This is complemented by the work of Urenco ChemPlants, which will operate our new Tails Management Facility and manage the by-product of our enrichment services. I enjoyed meeting a significant number of our customers and other stakeholders at a celebration in June marking its completed construction.

Since joining Urenco in May 2019 I have been getting to know the company – its employees, its facilities, stakeholders and our core business. I have spent time understanding the challenges and opportunities facing the company as we approach 50 successful years of operation. I have been very impressed by the commitment of all of our employees and am confident that Urenco will continue to be a long term supplier to our global customers and support the nuclear industry in providing a reliable source of sustainable, low carbon energy.”

Outlook

Market conditions remain challenging and current price levels would not support reinvestment in our enrichment facilities. Our order book extends to the 2030s with a value as at 30 June 2019 of €11.2 billion based on €/£ of 1 : 1.14 (31 December 2018: approximately €11.9 billion based on €/£ of 1 : 1.15), providing visibility and financial stability of future revenues.

Since 2011, the global enrichment market has been in a state of oversupply and high levels of inventory. We believe that enriched uranium inventories will start to decrease and, therefore, that the uranium enrichment market will improve. However, the timeframe in which this will occur and the extent to which the market recovers remain uncertain.

There is an increasing global demand for sustainable, low carbon energy. Energy demand is set to grow by more than 25%⁽ⁱ⁾ by 2040 and nuclear has a key role to play to meet long-term climate goals under the Paris Agreement.

As a leader in the nuclear industry with a clear strategy for the future, we are well positioned to meet this need. We are unique in the world enrichment market in having four enrichment facilities in four different countries. This gives us the expertise, diversity of supply and the capacity to manage the market risks and ensure we continue to serve our customers long into the future.

We also continue to monitor the various political uncertainties that could impact our business. We are prepared for the UK’s withdrawal from the European Union and EURATOM treaty. Stock, equipment and other materials have been built up to continue production at our UK site, agreements are in place to satisfy customer needs in case transport is disrupted and export licences are arranged post Brexit.

(i) Source: International Energy Agency, World Energy Outlook 2018: <https://www.iea.org/weo2018/>

Outlook (continued)

Urenco has provided input to the US Department of Commerce investigation into the potential impacts of imported uranium, in all its forms, on US national security. This followed the launch of a section 232 investigation conducted under the authority of the Trade Expansion Act of 1962. We welcome the decision by the President of the United States that imports of uranium do not impact national security and there will be no immediate remedy imposed on this basis. We will closely monitor the findings of a Working Group established to develop recommendations for reviving and expanding US domestic nuclear fuel production, expected to report in October, and will continue to demonstrate that our involvement in the US uranium market is in the best interests of our US customers.

Board

Thomas Haerberle retired as Chief Executive Officer in March 2019. Stephen Billingham, Chairman, acted as Chief Executive Officer in April 2019. Boris Schucht was appointed as Chief Executive Officer in May 2019 when he joined from 50Hertz, the North-East German Transmission System Operator.

REVIEW OF FINANCIAL RESULTS

Income Statement for the period ended 30 June 2019

Revenue for the six months ended 30 June 2019 was €804.6 million, an increase of €32.7 million (4.2%) on the €771.9 million for the same period last year. SWU revenues were up by €78.8 million due to higher volumes which more than offset slightly lower realised hedged SWU prices. Uranium related sales were down by €32.7 million, with both volumes and prices lower than the same period last year. Other net movements in revenue showed a decrease of €13.4 million compared to the same period last year, primarily as a result of lower sales at Urenco Nuclear Stewardship. Overall, revenues for the first half and second half of 2019 are expected to be at a broadly similar level, which contrasts slightly with previous years where the second half of the year accounted for the majority of sales.

EBITDA and Net Income margins are at a higher level in the first half of 2019, compared to the first half of 2018, as a result of a combination of factors. These higher levels of margin are unlikely to be repeated in the second half of the year.

EBITDA for the first half of 2019 was €582.9 million, an increase of €88.9 million (18.0%) from the same period last year (H1 2018: €494.0 million), corresponding to an EBITDA margin of 72.4% (H1 2018: 64.0%). The increase in EBITDA is principally due to the margin impact from increased revenue together with reduced net costs of nuclear provisions (€25.6 million) and lower other operating and administrative expenses (€30.6 million).

The net costs of nuclear provisions were €18.0 million for the six months ended 30 June 2019, a decrease of €25.6 million (H1 2018: €43.6 million) primarily as a result of lower net costs for tails provisions partially offset by higher costs for other nuclear provisions. The net costs for tails provisions in the first half of 2019 were €30.8 million lower than those for the same period last year. This decrease was due to optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts. The net costs for decommissioning provisions in the first half of 2019 decreased by €4.6 million driven by releases of provisions in the year of €6.1 million (H1 2018: €1.2 million) associated with cylinder inventories. The net costs for other nuclear provisions in the first half of 2019 increased by €9.8 million as a result of optimisation of the operations and changes to the forecasts for future re-enrichment of low assay feed.

Other operating and administrative expenses in H1 2019 were lower by €30.6 million (H1 2019: €203.7 million, H1 2018: €234.3 million) reflecting a lower average unit cost of sales as a result of both the sales mix realised in the period and the continued management of costs across our business.

Depreciation and amortisation for the six months ended 30 June 2019 was €171.4 million, compared to €161.0 million for the half year 2018.

In the six months ended 30 June 2019 there were no exceptional items (H1 2018: nil). The Group's policy on exceptional items requires separate disclosure in the Income Statement for certain items of financial performance, due to their size, nature and incidence, so as to assist in understanding the underlying financial performance achieved by the Group. In H1 2019, €2.9 million of the restructuring provision was released to the Income Statement following a re-forecast of the costs to complete the restructuring programme. The release of provision has not been classified as an exceptional item for H1 2019 as it is below the Group's materiality threshold for determining exceptional items.

Net finance costs for the six months ended 30 June 2019 were €51.4 million, compared to €75.1 million for the same period last year, with the reduction largely due to lower losses incurred in the period as a result of foreign exchange movements. The net finance costs on borrowings (including the impact of interest rate/cross currency interest rate swaps) were higher at €45.0 million (H1 2018: €39.5 million) due to the premium of €9.9 million paid on the early redemption of certain bonds due in February 2021 (which completed in January), with the underlying costs reflecting the lower levels of net debt in the first half of 2019. Where practicable, relevant loan balances are swapped using cross currency swaps and these swaps are placed in accounting hedge relationships. Where this is not possible the retranslation of the relevant unhedged loan balances (denominated in US dollars and euros but held by a sterling functional currency entity) generate gains/losses as a result of foreign exchange movements in the period. In H1 2019 the impact of this was a loss of €0.6 million (H1 2018: loss of €28.6 million) reflecting relevant unhedged balances and movements in foreign exchange rates. In addition, no losses associated with ineffective cash flow hedges (including the impact of credit risk) were incurred in H1 2019 (H1 2018: €1.7 million loss). The other key elements of net finance costs were capitalised interest of €30.1 million (H1 2018: €24.2 million) and the unwinding of discounting on provisions of €34.3 million (H1 2018: €29.5 million).

REVIEW OF FINANCIAL RESULTS continued

Income Statement for the period ended 30 June 2019 continued

In the first half of 2019 the tax expense was €94.0 million (an effective tax rate (ETR) of 25.6%), an increase of €22.0 million over the tax expense of €72.0 million for H1 2018 (ETR: 28.1%). The increase in tax expense arose primarily as a result of the increase in accounting income before tax, partially offset by 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 2019 net income was €273.5 million, an increase of €89.0 million (48.2%) compared to net income of €184.5 million in the same period of 2018. The net income margin for H1 2019 was 34.0% compared to 23.9% for H1 2018. The increase in net income reflects the impact of higher EBITDA, with lower net finance costs in the period offset by a higher tax expense.

Cash Flow Statement for the period ended 30 June 2019

Operating cash flow before movements in working capital was €593.1 million (H1 2018: €523.9 million) and cash generated from operating activities was €463.3 million (H1 2018: €457.7 million). Higher cash flows from operating activities result from higher revenues and lower cash operating costs, partially offset by a less favourable movement in working capital compared to H1 2018.

Tax paid in the period was €112.2 million (H1 2018: €98.1 million) with the increase principally driven by higher net tax payments in the UK, partially offset by lower net tax payments in the Netherlands. Accordingly, net cash flow from operating activities after tax was €351.1 million compared to €359.6 million in H1 2018.

In the first six months of 2019 the Group invested a total of €54.2 million (H1 2018: €96.3 million), reflecting a lower level of expenditure on core enrichment assets in line with our strategy and the decline in the level of investment in Tails Management Facility (TMF) (H1 2019: €20.6 million, H1 2018: €46.1 million).

Net cash outflow from financing activities was €753.2 million (H1 2018: €336.2 million). This includes the placement of €175.0 million in short term deposits, the majority of which mature in March 2020. In January 2019 Urenco announced a tender offer which resulted in a repurchase of €215.6 million of our €750.0 million bond due in February 2021. The total amount paid in January 2019 to the bond holders was €230.5 million, which included accrued interest of €5.0 million and at the purchase price of 104.6%, a premium of €9.9 million. Hedging instruments associated with the bonds that were repaid were closed out resulting in cash proceeds of €4.2 million. In March 2019, €300.0 million in dividends for the year ended 31 December 2018 were paid to shareholders (2018: €300.0 million).

Statement of Financial Position as at 30 June 2019

The book value of property, plant and equipment decreased by €39.3 million in the first half of the year. This mainly relates to capital additions (€86.4 million), the recognition of various right-of-use assets associated with changes in the accounting for leases (€22.4 million), and foreign exchange translation gains on US assets that are denominated in US dollar and held in US dollar functional currency entities (€19.9 million) offset by depreciation (€167.8 million).

Inventories increased in the six months ended 30 June 2019 by €4.3 million to €139.3 million (31 December 2018: €135.0 million). SWU assets (previously referred to as Contract assets) increased in the six months ended 30 June 2019 by €42.5 million to €284.4 million (31 December 2018: €241.9 million).

Total provisions as at 30 June 2019 were €1,810.4 million (31 December 2018: €1,776.5 million) of which €6.0 million (31 December 2018: €7.5 million) was included in current liabilities. In H1 2019, additional provisions and the unwinding of discounts were €171.0 million, while utilisation and release of provisions (including exchange differences) were €137.2 million. Nuclear liabilities and the associated provisions, together with underlying macro-economic assumptions and the required funding capability, are kept under constant review by Urenco.

REVIEW OF FINANCIAL RESULTS continued

Statement of Financial Position as at 30 June 2019 continued

As at 30 June 2019, the Group held cash and cash equivalents of €109.5 million (31 December 2018: €531.2 million) as cash was utilised in the repurchase of the bonds in January 2019, and €175.0 million placed in short term deposits. Net debt was €1,428.7 million (31 December 2018: €1,370.9 million), an increase of €57.8 million from the year-end as the net cash inflow from operating activities of €351.1 million was lower than cash outflows relating to capital expenditure of €54.2 million, net interest paid of €36.4 million, the recognition of lease liabilities of €21.6 million and the payment of the final dividend for 2018 of €300.0 million.

The Group has a €750.0 million medium term revolving credit facility which matures in 2023 and, as at 30 June 2019 the amount drawn down was €nil. The Company's debt ratings were reconfirmed in April 2019 by Moody's (Baa1/Stable) and S&P Global Ratings (BBB+/Stable).

Total equity decreased by €69.1 million with retained earnings decreasing by €31.2 million in the period since 31 December 2018. This is primarily due to the net income for H1 2019 of €273.5 million being lower than the dividend paid in March 2019 in respect of 2018 (€300.0 million). Cumulative gains in the hedging reserve (including cost of hedge reserve) decreased by €21.0 million to €17.5 million, principally due to an increase in the mark to market liability of forward foreign exchange contracts designated as cash flow hedges against forecast revenues receipted in foreign currencies. The foreign currency translation reserve decreased by €16.9 million to €190.8 million.

Adoption of new accounting standards

Urenco has adopted IFRS 16 Leases from 1 January 2019. This new accounting standard has been applied based on the modified retrospective method, without comparative information and without any impact on retained earnings on the transition date of 1 January 2019. On this transition date the Group recognised in the statement of financial position lease liabilities and right-of-use assets of €22.4 million for leases previously classified as operating leases. The lease liabilities and right-of-use assets at 30 June 2019 were €21.6 million and €21.5 million respectively. The total expense recognised in the income statement for H1 2019 was €1.4 million, comprised of depreciation on the right-of-use assets of €0.9 million and finance costs of €0.5 million relating to the unwinding of the discount on the lease liabilities.

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 European Union 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

7 August 2019

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 2019 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 16. 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.

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.

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 adopted by the European Union.

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

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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Deloitte LLP
Statutory Auditor
London, UK

7 August 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Year ended 31 December
		2019	2018	2018
		Unaudited	Unaudited	Audited
		Re-presented ⁽ⁱ⁾		
		€m	€m	€m
Revenue from sales of goods and services	3	804.6	771.9	1,957.7
Changes to inventories of finished goods and work in progress and SWU assets		30.2	(4.4)	(146.5)
Raw costs of materials and consumables used		(5.1)	(7.2)	(14.5)
Net costs of nuclear provisions	12	(18.0)	(43.6)	(174.1)
Employee costs		(89.4)	(79.4)	(160.3)
Depreciation and amortisation	4	(171.4)	(161.0)	(329.2)
Restructuring provision release		2.9	0.2	2.3
Other expenses		(136.0)	(141.7)	(311.7)
Share of results of joint venture		1.1	(3.2)	2.8
Income from operating activities		418.9	331.6	826.5
Finance income		39.9	47.5	68.7
Finance costs		(91.3)	(122.6)	(174.7)
Income before tax		367.5	256.5	720.5
Income tax expense	5	(94.0)	(72.0)	(209.2)
Net income for the period / year attributable to the owners of the Company		273.5	184.5	511.3
Earnings per share:		€	€	€
Basic earnings per share		1.6	1.1	3.0

(i) The Group has re-presented the results for the six months ended 30 June 2018 by combining into one line item titled "Net costs of nuclear provisions" six different line items for a total cost of €43.6 million. Previously these were presented separately for tails provisions created at a cost of €71.3 million and a net credit of €27.7 million was presented in other expenses. The net credit represented release of tails provisions, creating and release of decommissioning provisions and creating and release of provisions for re-enrichment of low assay feed. See note 12 for further details.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December 2018
	2019 Unaudited	2018 Unaudited Restated ⁽ⁱ⁾	2018 Audited Restated ⁽ⁱ⁾
	€m	€m	€m
Net income	273.5	184.5	511.3
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to the income statement			
Cash flow hedges – transfers to revenue ⁽ⁱ⁾	8.4	29.1	44.9
Cash flow hedges – mark to market losses ⁽ⁱ⁾	(45.9)	(49.2)	(98.1)
Movements on cost of hedging reserve	3.2	(7.8)	(14.0)
Deferred tax income on financial instruments ⁽ⁱ⁾	4.3	7.5	20.1
Current tax income on financial instruments	7.4	22.4	41.5
Exchange differences on hedge reserves ⁽ⁱ⁾	1.6	1.1	3.6
Total movements to hedging reserves ⁽ⁱ⁾	(21.0)	3.1	(2.0)
Exchange differences on foreign currency translation of foreign operations	2.3	43.8	126.7
Net investment hedge – mark to market (losses)/gains ⁽ⁱ⁾	(18.2)	34.9	(75.7)
Deferred tax income on financial instruments ⁽ⁱ⁾	0.6	(3.6)	(1.4)
Current tax income on financial instruments	(1.6)	(8.4)	(14.9)
Share of joint venture exchange difference on foreign currency translation of foreign operations	-	(0.2)	(0.4)
Total movements to foreign currency translation reserve	(16.9)	66.5	34.3
Items that will not be reclassified subsequently to the income statement			
Actuarial (losses) / gains on defined benefit pension schemes	(8.1)	33.1	51.1
Deferred tax income / (expense) on actuarial (losses) / gains	1.6	(5.3)	(8.9)
Share of joint venture actuarial (losses) / gains on defined benefit pension schemes	(1.2)	3.9	8.2
Exchange differences	3.0	-	0.9
Total movements to retained earnings	(4.7)	31.7	51.3
Other comprehensive (loss) / income	(42.6)	101.3	83.6
Total comprehensive income relating to the period / year attributable to the owners of the Company	230.9	285.8	594.9

(i) To appropriately reflect the accumulation of gains/losses of hedging instruments in net investment hedges and the related deferred tax and current tax in the foreign currency translation reserve under IFRS 9 Financial Instruments, the mark to market gains and losses and related deferred tax and current tax in respect of net investment hedges for both the six months ended 30 June 2018 and year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition, hedging reserves have been re-presented for both the six months ended 30 June 2018 and year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Further details of both are shown in note 10.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019 Unaudited	31 December 2018 Audited Re-presented ⁽ⁱ⁾	30 June 2018 Unaudited Re-presented ⁽ⁱ⁾
	Notes	€m	€m	€m
ASSETS				
Non-current assets				
Property, plant and equipment	7	4,922.6	4,961.9	4,930.5
Investment property		6.0	6.1	6.6
Intangible assets		31.3	34.6	41.3
Investments including joint venture		18.9	18.9	8.4
Financial assets		5.2	4.3	4.2
Derivative financial instruments	11	166.1	197.9	212.5
Deferred tax assets		133.9	166.1	186.6
		5,284.0	5,389.8	5,390.1
Current assets				
Inventories		139.3	135.0	153.5
SWU assets		284.4	241.9	339.8
Trade and other receivables		215.6	218.8	220.1
Derivative financial instruments	11	3.6	14.3	16.2
Income tax recoverable		108.5	44.6	86.5
Short term bank deposits	8	175.0	-	-
Cash and cash equivalents	9	109.5	531.2	26.4
		1,035.9	1,185.8	842.5
TOTAL ASSETS		6,319.9	6,575.6	6,232.6
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		1,588.8	1,620.0	1,272.6
Hedging reserves - restated ⁽ⁱ⁾	10	17.5	38.5	43.6
Foreign currency translation reserve - restated ⁽ⁱ⁾		190.8	207.7	239.9
Total equity		2,050.7	2,119.8	1,809.7
Non-current liabilities				
Trade and other payables		-	41.4	-
Interest bearing loans and borrowings	11	1,691.6	1,902.1	1,896.4
Lease liabilities		19.2	-	-
Provisions	12	1,804.4	1,769.0	1,575.0
Retirement benefit obligations	13	61.6	46.0	67.6
Contract liabilities		62.0	50.1	39.3
Derivative financial instruments	11	174.5	158.1	112.0
Deferred tax liabilities		96.5	97.7	104.3
		3,909.8	4,064.4	3,794.6
Current liabilities				
Trade and other payables		245.7	255.4	296.6
Interest bearing loans and borrowings	11	-	-	282.7
Lease liabilities		2.4	-	-
Provisions	12	6.0	7.5	8.0
Derivative financial instruments	11	44.3	33.8	39.1
Income tax payable		34.0	32.6	-
Contract liabilities		27.0	62.1	1.9
		359.4	391.4	628.3
Total liabilities		4,269.2	4,455.8	4,422.9
TOTAL EQUITY AND LIABILITIES		6,319.9	6,575.6	6,232.6

(i) The amounts in the hedging reserve in respect of the net investment hedges for both the six months ended 30 June 2018 and year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition hedging reserves have been re-presented for both the six months ended 30 June 2018 and year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Total equity as at 30 June 2018 and 31 December 2018 remains unchanged. Further details of both are shown in note 10.

Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 7 August 2019

Boris Schucht
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid in capital	Retained earnings	Hedging reserves Restated ⁽ⁱ⁾	Foreign currency translation reserve Restated ⁽ⁱ⁾	Attributable to the owners of the Company
	€m	€m	€m	€m	€m	€m
As at 31 December 2018 (Audited)	237.3	16.3	1,620.0	38.5	207.7	2,119.8
Income for the period	-	-	273.5	-	-	273.5
Other comprehensive income	-	-	(4.7)	(21.0)	(16.9)	(42.6)
Total comprehensive income	-	-	268.8	(21.0)	(16.9)	230.9
Equity dividend paid	-	-	(300.0)	-	-	(300.0)
As at 30 June 2019 (Unaudited)	237.3	16.3	1,588.8	17.5	190.8	2,050.7

	Share capital	Additional paid in capital	Retained earnings	Hedging reserves Restated ⁽ⁱ⁾	Foreign currency translation reserve Restated ⁽ⁱ⁾	Attributable to the owners of the Company
	€m	€m	€m	€m	€m	€m
As at 31 December 2017 (Audited)	237.3	16.3	1,356.8	(322.5)	536.4	1,824.3
Adjustment for IFRS 9 transition	-	-	(0.4)	363.0	(363.0)	(0.4)
Revised as at 1 January 2018	237.3	16.3	1,356.4	40.5	173.4	1,823.9
Income for the period	-	-	184.5	-	-	184.5
Other comprehensive income	-	-	31.7	3.1	66.5	101.3
Total comprehensive income	-	-	216.2	3.1	66.5	285.8
Equity dividend paid	-	-	(300.0)	-	-	(300.0)
As at 30 June 2018 (Unaudited)	237.3	16.3	1,272.6	43.6	239.9	1,809.7

- (i) To appropriately reflect the accumulation of gains/losses of hedging instruments in net investment hedges and the related deferred tax and current tax in the foreign currency translation reserve under IFRS 9 Financial Instruments, the mark to market gains and losses and related deferred tax and current tax in respect of net investment hedges for the six months ended 30 June 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition, hedging reserves have been re-presented for the six months ended 30 June 2018 by combining the hedging reserve with the cost of hedging reserve. Further details of both are shown in note 10.

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

		Six months ended 30 June 2019 Unaudited €m	Six months ended 30 June 2018 Unaudited €m	Year ended 31 December 2018 Audited €m
	Notes			
Income before tax		367.5	256.5	720.5
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:				
Share of joint venture results		(1.1)	3.2	(2.8)
Depreciation and amortisation	4	171.4	161.0	329.2
Finance income	4	(39.9)	(47.5)	(68.7)
Finance cost	4	91.3	122.6	174.7
Loss on write off of property, plant and equipment		0.2	-	0.4
Increase in provisions		3.7	28.1	140.5
Operating cash flows before movements in working capital		593.1	523.9	1,293.8
Decrease in inventories		1.1	44.6	64.0
(Increase) / decrease in SWU assets		(41.4)	(5.4)	93.4
Decrease in receivables and other debtors		1.8	13.0	11.7
Decrease in payables and other creditors		(91.3)	(118.4)	(61.9)
Cash generated from operating activities		463.3	457.7	1,401.0
Income taxes paid		(112.2)	(98.1)	(119.3)
Net cash flow from operating activities		351.1	359.6	1,281.7
Investing activities				
Interest received		29.6	38.6	59.8
Purchases of property, plant and equipment		(54.2)	(96.2)	(183.0)
Purchase of intangible assets		-	(0.1)	-
Increase in investment		-	(0.1)	(0.1)
Net cash flow used in investing activities		(24.6)	(57.8)	(123.3)
Financing activities				
Interest paid		(66.0)	(67.3)	(130.3)
Proceeds in respect of settlement of debt hedges		4.2	26.1	26.1
Dividends paid to equity holders		(300.0)	(300.0)	(300.0)
Proceeds from new borrowings		-	105.0	455.2
Placement of short-term deposits	8	(175.0)	-	-
Repayment of lease liabilities		(0.8)	-	-
Repayment of borrowings		(215.6)	(100.0)	(732.8)
Net cash flow from financing activities		(753.2)	(336.2)	(681.8)
Net (decrease) / increase in cash and cash equivalents		(426.7)	(34.4)	476.6
Cash and cash equivalents at beginning of period/year		531.2	59.1	59.1
Effect of foreign exchange rate changes		5.0	1.7	(4.5)
Cash and cash equivalents at end of the period/year	9	109.5	26.4	531.2

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 7 August 2019, 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 adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting', as adopted by the European Union.

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 2018 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 2019 have been reviewed by the auditor. Their report to Urenco Limited is set out on page 12. The information for the year ended 31 December 2018 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 2018 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 2018, except for the adoption of the new accounting standard as described below.

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 2019 are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018.

Adoption of new accounting standards

The Group has adopted one new accounting standard from 1 January 2019, IFRS 16 Leases.

The main impact of IFRS 16 is a change in the accounting by lessees for leases previously classified as operating leases under IAS 17. Under IFRS 16 these types of leases result in the recognition in the statement of financial position of a right-of-use asset and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance costs representing the unwinding of the discount on the lease liability. The Group has elected not to recognise leases on the statement of financial position for leases with terms of 12 months or less or where the underlying asset is of low value. For these leases the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. These are presented in other expenses in the consolidated income statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Adoption of new accounting standards (continued)

On the transition date of 1 January 2019, the Group has applied this standard based on the modified retrospective method with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of retained earnings. The Group has not restated comparative information. No additional arrangements have been identified which fall within the definition of a lease under IFRS 16.

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

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

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

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

The Group has presented the right-of-use assets within Property, Plant and Equipment, with each item included within the same asset category within which the corresponding underlying assets would be presented if they were owned. The right-of-use assets at 30 June 2019 were €21.5 million. The lease liabilities at 30 June 2019 were €21.6 million and they are presented separately from other liabilities, within non-current liabilities (€19.2 million) and current liabilities (€2.4 million). The total expense recognised in the income statement for H1 2019 was €1.4 million, comprised of depreciation on the right-of-use assets of €0.9 million and finance costs of €0.5 million relating to the unwinding of the discount on the lease liabilities. In the cash flow statement, the Group has classified the repayments of the principal portion (€0.8 million) on a separate line and the interest portion (€0.5 million) of the lease liabilities in 'interest paid' within "Net cash flow from financing activities".

Going concern

The Directors have assessed the latest forecast future cash flows 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. 39% of the Group's full year revenue fell in the first six months of 2018, compared to 42% in 2017. Overall, the phasing of revenue between the first half and second half of 2019 is expected to be broadly similar.

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.

Following the Fukushima incident in 2011, there has been a global excess of SWU inventories. This has significantly impacted the current market price of SWU and has resulted in reductions in recent contracted SWU selling 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 and associated services 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 and Urenco Nuclear Stewardship Limited (UNS) which provides uranium handling services at the Capenhurst facility; and Group accounting consolidation adjustments.

Segment performance is evaluated based on net income or loss which is calculated on the same basis as income or loss from operating activities in the consolidated financial statements. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION continued

Segment information for these businesses for the six months ended 30 June 2019 and 2018 respectively, and for the year ended 31 December 2018, is presented below:

Six months ended 30 June 2019 – Unaudited	Enrichment business €m	ETC €m	Other ⁽ⁱ⁾ €m	Consolidated €m
Revenue				
External sales	786.5	-	18.1	804.6
Total Revenue	786.5	-	18.1	804.6
Result				
Income / (loss) from operating activities	429.9	1.2	(12.2)	418.9
Finance income	5.5	-	34.4	39.9
Finance costs	(29.2)	-	(62.1)	(91.3)
Income / (loss) before tax	406.2	1.2	(39.9)	367.5
Income tax	(84.9)	-	(9.1)	(94.0)
Net income / (loss) for the period	321.3	1.2	(49.0)	273.5
Other information				
Depreciation and amortisation	172.4	-	(1.0)	171.4
Depreciation recognised in increased inventories and SWU assets	(12.2)	-	-	(12.2)
Depreciation expenses within net costs of nuclear provisions	5.9	-	-	5.9
Depreciation and amortisation for EBITDA calculation	166.1	-	(1.0)	165.1
Income / (loss) from operating activities	429.9	1.2	(12.2)	418.9
Depreciation and amortisation for EBITDA calculation	166.1	-	(1.0)	165.1
Joint venture results	-	(1.2)	0.1	(1.1)
EBITDA ⁽ⁱⁱ⁾	596.0	-	(13.1)	582.9
Capital additions:				
Property, plant and equipment	88.1	-	20.7	108.8
Intangible assets	0.1	-	-	0.1
Segment assets	5,757.7	17.5	544.7	6,319.9
Segment liabilities	3,016.2	-	1,253.0	4,269.2

- (i) Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.
(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION continued

Six months ended 30 June 2018 – Unaudited	Enrichment business €m	ETC €m	Other ⁽ⁱ⁾ €m	Consolidated €m
Revenue				
External sales	741.8	-	30.1	771.9
Total Revenue	741.8	-	30.1	771.9
Result				
Income/(loss) from operating activities	338.0	(3.0)	(3.4)	331.6
Finance income	6.0	-	41.5	47.5
Finance costs	(31.0)	-	(91.6)	(122.6)
Income/(loss) before tax	313.0	(3.0)	(53.5)	256.5
Income tax	(69.7)	-	(2.3)	(72.0)
Net income/(loss) for the period	243.3	(3.0)	(55.8)	184.5
Other information				
Total depreciation and amortisation	161.9	-	(0.9)	161.0
Depreciation recognised in decreased inventories and SWU assets	0.2	-	-	0.2
Depreciation expenses within net costs of nuclear provisions	(2.0)	-	-	(2.0)
Depreciation and amortisation for EBITDA calculation	160.1	-	(0.9)	159.2
Income/(loss) from operating activities	338.0	(3.0)	(3.4)	331.6
Depreciation and amortisation for EBITDA calculation	160.1	-	(0.9)	159.2
Joint venture results	-	3.0	0.2	3.2
EBITDA ⁽ⁱⁱ⁾	498.1	-	(4.1)	494.0
Capital additions:				
Property, plant and equipment	120.7	-	1.6	122.3
Intangible assets	0.1	-	-	0.1
Segment assets	5,952.5	7.0	273.1	6,232.6
Segment liabilities	2,688.3	-	1,734.6	4,422.9

(i) Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION continued

Year ended 31 December 2018 – Audited	Enrichment business €m	ETC €m	Other ⁽ⁱ⁾ €m	Consolidated €m
Revenue				
External sales	1,905.0	-	52.7	1,957.7
Total Revenue	1,905.0	-	52.7	1,957.7
Result				
Income/(loss) from operating activities	825.3	3.6	(2.4)	826.5
Finance income	14.4	-	54.3	68.7
Finance costs	(54.6)	-	(120.1)	(174.7)
Income/(loss) before tax	785.1	3.6	(68.2)	720.5
Income tax	(199.4)	-	(9.8)	(209.2)
Net income/(loss) for the year	585.7	3.6	(78.0)	511.3
Other information				
Total depreciation and amortisation	331.5	-	(2.3)	329.2
Depreciation recognised in decreased inventories and SWU assets	45.8	-	-	45.8
Depreciation expenses within net costs of nuclear provisions	1.7	-	-	1.7
Depreciation and amortisation for EBITDA calculation	379.0	-	(2.3)	376.7
Income/(loss) from operating activities	825.3	3.6	(2.4)	826.5
Depreciation and amortisation for EBITDA calculation	379.0	-	(2.3)	376.7
Joint venture results	-	(3.6)	0.8	(2.8)
EBITDA ⁽ⁱⁱ⁾	1,204.3	-	(3.9)	1,200.4
Capital additions:				
Property, plant and equipment	295.4	-	3.4	298.8
Intangible assets	0.3	-	-	0.3
Segment assets	5,755.2	17.6	802.8	6,575.6
Segment liabilities	2,852.1	-	1,603.7	4,455.8

(i) Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX

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

	Six months ended 30 June		Year ended 31 December
	2019 Unaudited €m	2018 Unaudited €m	2018 Audited €m
Current income tax			
UK corporation tax	6.5	8.2	23.6
Foreign income tax	49.9	31.8	122.3
Adjustments in respect of prior periods	(0.6)	-	1.6
Total current tax	55.8	40.0	147.5
Deferred income tax			
Origination and reversal of temporary differences	38.1	32.0	66.0
Adjustments in respect of prior periods	0.1	-	(0.8)
Impact of change in tax rate on deferred tax	-	-	(3.5)
Total deferred tax expense	38.2	32.0	61.7
Income tax expense reported in the consolidated income statement	94.0	72.0	209.2

The Group's ETR for the 2019 interim period is 25.6%, which is lower than the 2018 interim period rate of 28.1%. The decrease in ETR is driven by the impact of changes in non-taxable and non-deductible amounts, including foreign exchange financing gains and losses that are excluded from tax under the UK Disregard Regulations. This was partially offset by changes in the relative proportions of profits and losses generated across the four jurisdictions in which Urenco operates.

The UK corporation tax charge has decreased by €1.7 million to €6.5 million (H1 2018: €8.2 million) and the foreign income tax charge has increased by €18.1 million to €49.9 million (H1 2018: €31.8 million). The decrease in UK corporation tax charge predominantly arises out of changes in the amount of foreign currency movements excluded from tax under the UK disregard regulations, partially offset by increased accounting profits. The increase in foreign income tax charge is mainly driven by a net increase in accounting profits in those locations.

During 2016, a reduction in the UK mainstream corporation tax rate from 19.00% to 17.00%, effective from 1 April 2020, was enacted. The average annual UK corporation tax rate for the year ending 31 December 2019 will be 19.00% (2018: 19.00%). The Group's UK deferred tax assets and liabilities have been valued using a 17.00% tax rate (H1 2018: 17.00%).

During 2018, reductions in the Netherlands mainstream corporation tax rate from 25.00% to 22.55%, effective 1 January 2020, and to 20.50%, effective 1 January 2021, were enacted. The Group's Dutch deferred tax assets and liabilities have been predominately valued using a 20.50% tax rate (H1 2018: 25.00%).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. DIVIDENDS PAID AND PROPOSED

	Six months ended 30 June		Year ended 31 December
	2019 Unaudited €m	2018 Unaudited €m	2018 Audited €m
<i>Amounts recognised as distributions to equity holders in the period:</i>			
Final dividend for the year ended 31 December 2018: 178.57 cents per share, €300.0 million paid in March 2019	300.0	-	-
Final dividend for the year ended 31 December 2017: 178.57 cents per share, €300.0 million paid in March 2018	-	300.0	300.0

The final proposed dividend of €300.0 million for the year ended 31 December 2018 was approved by shareholders on 14 March 2019. €300.0 million was paid to shareholders on 20 March 2019. No interim dividend has been proposed or paid.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets and capitalised costs with a value of €108.8 million (six months ended 30 June 2018: €122.3 million; year ended 31 December 2018: €298.8 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.

Following the adoption of IFRS 16 on 1 January 2019, the Group has presented the right-of-use assets within Property, Plant and Equipment. Each leased item is included within the same asset category within which the corresponding underlying assets would be presented if they were owned. The right-of-use assets were €22.4 million at 1 January 2019 and €21.5 million at 30 June 2019.

See also note 14 for capital commitments.

8. SHORT TERM DEPOSITS

	At 30 June		At 31 December
	2019 Unaudited €m	2018 Unaudited €m	2018 Audited €m
Short term deposits	175.0	-	-

9. CASH AND CASH EQUIVALENTS

	At 30 June		At 31 December
	2019 Unaudited €m	2018 Unaudited €m	2018 Audited €m
Cash and cash equivalents	109.5	26.4	531.2

Cash at bank earns or pays interest at floating interest rates based on the banks' current account rates. Money market deposits at call or due within three months earn or pay interest at the market rate on the date of the investment.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. HEDGING RESERVES

Hedging reserve - summary

	Period ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited	Unaudited Restated ⁽ⁱ⁾⁽ⁱⁱ⁾	Audited Restated ⁽ⁱⁱ⁾
	€m	€m	€m
Carried forward as at 31 December	35.3	(322.5)	(322.5)
Adjustment for IFRS 9 transition ⁽ⁱ⁾⁽ⁱⁱ⁾	-	348.4	348.4
Revised as at 1 January	35.3	25.9	25.9
Other comprehensive (expense) / income:			
Cash flow hedges – transfers to revenue	8.4	29.1	44.9
Cash flow hedges – mark to market losses	(45.9)	(49.2)	(98.1)
Deferred tax income on financial instruments	4.7	6.4	17.4
Current tax income on financial instruments	7.4	22.4	41.5
Exchange differences	1.6	1.0	3.7
Other comprehensive income	(23.8)	9.7	9.4
Carried forward as at 30 June / 31 December	11.5	35.6	35.3

Cost of hedging reserve - summary

	At 30 June		At 31 December
	2019	2018	2018
	Unaudited	Unaudited Restated ⁽ⁱ⁾	Audited
	€m	€m	€m
Carried forward as at 31 December	3.2	-	-
Adjustment for IFRS 9 transition ⁽ⁱ⁾	-	14.6	14.6
Revised as at 1 January	3.2	14.6	14.6
Other comprehensive income / (expense):			
Movements before tax	3.2	(7.8)	(14.0)
Deferred tax (expense) / income	(0.4)	1.1	2.7
Exchange differences	-	0.1	(0.1)
Other comprehensive income	2.8	(6.6)	(11.4)
Carried forward as at 30 June / 31 December	6.0	8.0	3.2

Hedging reserves - totals

Carried forward as at 30 June / 31 December	17.5	43.6	38.5
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- (i) The adjustment for IFRS 9 transition has been restated in the comparative figures for the six month period to 30 June 2018 to appropriately reflect the recognition of the currency basis of revenue hedges in the cost of hedging reserve. €56.1 million was removed from the cost of hedging reserve and recognised in the hedging reserve, bringing them in line with the 2018 full year disclosures. Total hedging reserves as at 30 June 2018 remain unchanged in respect of this adjustment. The reserves prior to and after this restatement are shown below.
- (ii) The adjustment for IFRS 9 transition has been restated to appropriately reflect the accumulation of gains/losses of hedging instruments in net investments hedges and the related deferred and current tax in the foreign currency translation reserve. The mark to market gains and losses and related deferred and current tax in respect of net investment hedges for both the six months ended 30 June 2018 and year end 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. Total equity as at 30 June 2018 and 31 December 2018 remains unchanged. The reserves prior to and after this restatement are shown below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. HEDGING RESERVES continued

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 (new reserve following adoption of IFRS 9)

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. From 1 January 2018, it is a requirement under the newly adopted accounting standard IFRS 9 to disclose the cost of hedging reserve as a separate component of equity.

The impact of the restatement between hedging and cost of hedging reserves and between hedging and foreign currency translation reserves, described in footnotes (i) and (ii) respectively on the previous page, are set out below.

Hedging reserve – Restatement of H1 2018

	Period ended 30 June 2018			Unaudited As reported €m
	Unaudited Restated €m	Hedging to cost of hedging reserves Restatement €m	Hedging to foreign currency translation reserve Restatement €m	
Carried forward as at 31 December	(322.5)	-	-	(322.5)
Adjustment for IFRS 9 transition	348.4	56.1	363.0	(70.7)
Revised as at 1 January	25.9	56.1	363.0	(393.2)
Other comprehensive (expense) / income:				
Cash flow hedges – transfers to revenue	29.1	17.8	-	11.3
Cash flow hedges – mark to market losses	(49.2)	-	-	(49.2)
Net investment hedge – mark to market gains	-	-	(34.9)	34.9
Deferred tax income on financial instruments	6.4	(4.0)	3.6	6.8
Current tax income on financial instruments	22.4	-	8.4	14.0
Exchange differences	1.0	0.2	-	0.8
Other comprehensive income	9.7	14.0	(22.9)	18.6
Carried forward as at 30 June	35.6	70.1	340.1	(374.6)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. HEDGING RESERVES continued

Cost of hedging reserve – Restatement of H1 2018

	Period ended 30 June 2018		Unaudited As reported €m
	Unaudited Restated €m	Hedging to cost of hedging reserves Restatement €m	
Carried forward as at 31 December	-	-	-
Adjustment for IFRS 9 transition	14.6	(56.1)	70.7
Revised as at 1 January	14.6	(56.1)	70.7
Other comprehensive (expense) / income:			
Movements before tax	(7.8)	(17.8)	10.0
Deferred tax income / (expense)	1.1	4.0	(2.9)
Exchange differences	0.1	(0.2)	0.3
Other comprehensive income	(6.6)	(14.0)	7.4
Carried forward as at 30 June	8.0	(70.1)	78.1

Hedging reserves – Restatement of H1 2018 totals

Carried forward as at 30 June	43.6	340.1	(296.5)
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Hedging reserve – Restatement of 2018

	Year ended 31 December 2018		Audited As reported €m
	Audited Restated €m	Hedging to foreign currency translation reserve Restatement €m	
Carried forward as at 31 December	(322.5)	-	(322.5)
Adjustment for IFRS 9 transition	348.4	363.0	(14.6)
Revised as at 1 January	25.9	363.0	(337.1)
Other comprehensive (expense) / income:			
Cash flow hedges – transfers to revenue	44.9	-	44.9
Cash flow hedges – mark to market losses	(98.1)	-	(98.1)
Net investment hedge – mark to market gains	-	75.7	(75.7)
Deferred tax income on financial instruments	17.4	1.4	16.0
Current tax income on financial instruments	41.5	14.9	26.6
Exchange differences	3.7	-	3.7
Other comprehensive income	9.4	92.0	(82.6)
Carried forward as at 31 December	35.3	455.0	(419.7)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. HEDGING RESERVES continued

Foreign currency translation reserve – Restatement of H1 2018

	Period ended 30 June 2018		
	Unaudited	Hedging to foreign currency translation reserve	Unaudited
	Restated €m	Restatement €m	As reported €m
Carried forward as at 31 December	536.4	-	536.4
Adjustment for IFRS 9 transition	(363.0)	(363.0)	-
Revised as at 1 January	173.4	(363.0)	536.4
Exchange differences on foreign currency translation of foreign operations	43.8	-	43.8
Net investment hedge – mark to market (losses)/gains	34.9	34.9	-
Deferred tax income on financial instruments	(3.6)	(3.6)	-
Current tax income on financial instruments	(8.4)	(8.4)	-
Share of joint venture exchange difference on foreign currency translation of foreign operations	(0.2)	-	(0.2)
Other comprehensive income	66.5	22.9	43.6
Carried forward as at 30 June	239.9	(340.1)	580.0

Foreign currency translation reserve – Restatement of 2018

	Year ended 31 December 2018		
	Audited	Hedging to foreign currency translation reserve	Audited
	Restated €m	Restatement €m	As reported €m
Carried forward as at 31 December	536.4	-	536.4
Adjustment for IFRS 9 transition	(363.0)	(363.0)	-
Revised as at 1 January	173.4	(363.0)	536.4
Exchange differences on foreign currency translation of foreign operations	126.7	-	126.7
Net investment hedge – mark to market (losses)/gains	(75.7)	(75.7)	-
Deferred tax income on financial instruments	(1.4)	(1.4)	-
Current tax income on financial instruments	(14.9)	(14.9)	-
Share of joint venture exchange difference on foreign currency translation of foreign operations	(0.4)	-	(0.4)
Other comprehensive income	34.3	(92.0)	126.3
Carried forward as at 31 December	207.7	(455.0)	662.7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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 2019, the net liability of the FFECs was €86.3 million (31 December 2018: net liability of €54.0 million), with the movement driven principally by US dollar forward rates strengthening against sterling and the euro 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, €5.1 million of hedging losses (H1 2018: losses of €11.3 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 2019, the Group’s portfolio of CCIRSs was held at an asset of €25.8 million (31 December 2018: asset of €56.4 million). In January 2019, there was an early termination of some CCIRSs with nominal value of €100.0 million that resulted in cash proceeds of €4.2 million.

Currency swaps in a net investment hedge detailed above, total \$1.0 billion (31 December 2018: \$1.2 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 2019 were borrowings of €0.5 billion (31 December 2018: €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 €11.5 million as at 30 June 2019 (31 December 2018: net asset of €17.9 million). The fair value has decreased principally due to the settlement of contracts during the period.

Borrowing and repayment of debt

During the six months to 30 June 2019, the Group repaid borrowings of €215.6 million (H1 2018: €100.0 million).

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

As at 30 June 2019, total current interest bearing loans and borrowings were €nil (31 December 2018: €nil), and total non-current interest bearing loans and borrowings were €1,691.6 million (31 December 2018: €1,902.1 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Borrowing and repayment of debt continued

The calculation of net debt as at 30 June 2019 and 31 December 2018 is set out below:

	At 30 June 2019 €m	At 31 December 2018 €m
Non-current interest bearing loans and borrowings	1,691.6	1,902.1
Non-current lease liabilities	19.2	-
Current lease liabilities	2.4	-
Less: Short term deposits	(175.0)	-
Less: Cash and cash equivalents	(109.5)	(531.2)
Net debt	<u>1,428.7</u>	<u>1,370.9</u>

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 remeasured at fair value. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk. Fair value of commodity contracts is the risk adjusted present value of the difference between the contract price and the current forward price multiplied by the volume of the agreed sales or purchases.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

As at 30 June 2019, the Group held the following financial instruments, measured at fair value, all at a Level 2 hierarchy:

	At 30 June 2019 €m	At 31 December 2018 €m
Financial assets at fair value		
Forward Foreign Exchange Contracts – hedged	4.5	19.7
Forward Foreign Exchange Contracts – non hedged	1.0	-
Cross Currency Interest Rate Swaps – hedged	149.5	169.6
Commodity contracts at fair value– non hedged	14.7	22.9
Total assets measured at fair value	169.7	212.2
Financial liabilities at fair value		
Forward Foreign Exchange Contracts – hedged	(91.8)	(73.7)
Forward Foreign Exchange Contracts – non hedged	-	-
Cross Currency Interest Rate Swaps – hedged	(123.7)	(113.2)
Commodity contracts at fair value– non hedged	(3.3)	(5.0)
Total liabilities measured at fair value	(218.8)	(191.9)
Net FFEC liability	(86.3)	(54.0)
Net CCIRS asset	25.8	56.4
Net commodity assets at fair value	11.4	17.9
Total net (liability) / asset	(49.1)	20.3

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROVISIONS

	Tails	Decommissioning of plant and machinery	Other	Total
	€m	€m	€m	€m
Six months ended 30 June 2019				
As at 1 January 2019 – Audited	1,001.7	611.9	162.9	1,776.5
Additional provision	85.4	0.4	50.9	136.7
Unwinding of discount	21.2	12.0	1.1	34.3
Utilisation of provision	(10.8)	(2.2)	(50.4)	(63.4)
Release of provision	(66.8)	(6.1)	(3.3)	(76.2)
Exchange difference	1.2	0.7	0.6	2.5
As at 30 June 2019 – Unaudited	1,031.9	616.7	161.8	1,810.4
Included in current liabilities				6.0
Included in non-current liabilities				1,804.4
				1,810.4
	Tails	Decommissioning of plant and machinery	Other	Total
	€m	€m	€m	€m
Six months ended 30 June 2018				
As at 1 January 2018 - Audited	882.0	484.5	148.1	1,514.6
Additional provision	71.3	2.3	57.2	130.8
Unwinding of discount	18.6	9.8	1.1	29.5
Utilisation of provision	(3.6)	(4.1)	(69.5)	(77.2)
Release of provision	(21.9)	(1.2)	(0.2)	(23.3)
Exchange difference	5.3	1.7	1.6	8.6
As at 30 June 2018 – Unaudited	951.7	493.0	138.3	1,583.0
Included in current liabilities				8.0
Included in non-current liabilities				1,575.0
				1,583.0
	Tails	Decommissioning of plant and machinery	Other	Total
	€m	€m	€m	€m
Year ended 31 December 2018				
As at 1 January 2018 - Audited	882.0	484.5	148.1	1,514.6
Additional provision	144.7	125.8	146.9	417.4
Unwinding of discount	37.2	19.4	2.3	58.9
Utilisation of provision	(34.5)	(8.9)	(133.6)	(177.0)
Release of provision	(29.2)	(8.8)	(2.6)	(40.6)
Exchange difference	1.5	(0.1)	1.8	3.2
As at 31 December 2018 - Audited	1,001.7	611.9	162.9	1,776.5
Included in current liabilities				7.5
Included in non-current liabilities				1,769.0
				1,776.5

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROVISIONS continued

The net costs of nuclear provisions of €18.0 million (H1 2018: €43.6 million, FY 2018: €174.1 million) recognised in the income statement are set out below:

Six months ended 30 June 2019

	Tails disposal €m	Decommissioning of plant and machinery €m	Other – Re-enrichment low assay feed €m	Total €m
Additional provision for the period	85.4	0.3	48.1	133.8
Release of provision	(66.8)	(6.1)	-	(72.9)
Utilisation of provision	-	-	(42.9)	(42.9)
Charged/(credited) to income statement H1 2019	18.6	(5.8)	5.2	18.0

Six months ended 30 June 2018

	Tails disposal €m	Decommissioning of plant and machinery €m	Other – Re-enrichment low assay feed €m	Total €m
Additional provision for the period	71.3	-	55.1	126.4
Release of provision	(21.9)	(1.2)	-	(23.1)
Utilisation of provision	-	-	(59.7)	(59.7)
Charged/(credited) to income statement H1 2018	49.4	(1.2)	(4.6)	43.6

Year ended 31 December 2018

	Tails disposal €m	Decommissioning of plant and machinery €m	Other – Re-enrichment low assay feed €m	Total €m
Additional provision in the year	144.7	65.9	119.4	330.0
Release of provision	(29.2)	(8.8)	-	(38.0)
Utilisation of provision	-	-	(117.9)	(117.9)
Charged to income statement 2018	115.5	57.1	1.5	174.1

Provision for tails deconversion, storage and disposal

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.

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 availability and cost of a repository suitable for the final disposal of depleted U₃O₈ 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.

Management has considered the applicable inflation rate of 2% per annum (2018: 2% per annum) and the risk free discount rate of 4% per annum (2018: 4% per annum) and concluded they are unchanged from those applied at year end 2018. The real discount rate is 1.96% (2018: 1.96%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROVISIONS continued

For the US provisions for tails deconversion, storage and disposal, a surety bond and a letter of credit are in place with third parties that provide regulatory assurance for the financial liabilities, measured on an undiscounted basis, in the event that Urenco could not pay these. The US provisions are impacted by the tails rate, which is provided to us by the US Department of Energy on a periodic basis and therefore subject to change.

During the period the tails provision increased by €85.4 million (year to 31 December 2018: €144.7 million) due to tails generated in that period and an increase in the applied tails rate. This addition to the tails provision has been recognised as a cost in the income statement under net costs of nuclear provisions. Expenditure incurred during the period for the safe deconversion, storage and disposal of tails of €10.8 million (year to 31 December 2018: €34.5 million) has been utilised against the provision. A net provision release of €66.8 million (year to 31 December 2018: €29.2 million) was recorded reflecting ongoing optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts.

It is expected that €438.6 million of the tails provision will be used within the next 10 years, €403.5 million of the provision will be used within the next 10 to 30 years and €189.8 million will be used within the next 30 to 100 years.

The tails provisions held at 30 June 2019 comprised €705.0 million of discounted future cash flows and €326.9 million of discounted expected future non cash tails deconversion expense (being the depreciation to TMF and other related assets).

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 'brownfield' or 'greenfield' status as appropriate. 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.

Management has considered the applicable inflation rate of 2% per annum (2018: 2% per annum) and the risk free discount rate of 4% per annum (2018: 4% per annum) and concluded they are unchanged from those applied at year end 2018. The real discount rate is 1.96% (2018: 1.96%).

The US surety bond and letter of credit referred to in the note about provisions for tails deconversion, storage and disposal also provide regulatory assurance in the event that Urenco could not pay its financial liabilities, measured on an undiscounted basis, for decommissioning of plant and machinery.

During the period the decommissioning provision increased by €0.4 million due to additional container purchases. For the year to 31 December 2018 the decommissioning provision increased by €125.8 million due to (i) revised assumptions surrounding the decommissioning of plant and machinery resulting in an increase of €123.0 million; (ii) additional container purchases of €2.5 million; and (iii) the installation of additional plant and machinery of €0.3 million. Of the €123.0 million resulting from revised assumptions, €65.9 million was expensed to the income statement and €57.1 million was recognised in decommissioning assets. The addition to the decommissioning provision associated with the installation of plant and machinery and additional container purchases was 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROVISIONS continued

Other provisions

These comprise provisions relating to the future re-enrichment of low assay feed, restructuring provisions and other personnel provisions. 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 re-enrichment of low assay feed increased by €48.1 million due to the creation of low assay feed and reduced by €42.9 million due to expenditure incurred on re-enrichment of low assay feed.

The Other provisions include an amount of €4.3 million (31 December 2018: €8.2 million) for restructuring costs, mainly relating to expected severance payments to be made. During the period €1.2 million of the restructuring provision was utilised for severance payments and an amount of €2.9 million was released. Uncertainties exist around the exact amount and timing of cash outflows as certain elements of the restructuring programme are subject to employee consultation procedures. Of the total amount it is estimated that €3.0 million will be paid within one year and the remainder of €1.3 million after one year.

These Other provisions are not materially sensitive to discount rates. It is expected that other provisions will be used over the next ten years.

13. RETIREMENT BENEFIT OBLIGATIONS

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. Some are defined benefit schemes (three in total); others are defined contribution schemes and are funded externally. 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 €15.6 million increase in the overall Group pension liability during the six month period ended 30 June 2019 (30 June 2018: €29.7 million decrease; 31 December 2018: €51.3 million decrease). This increase for the first six months in 2019 was driven primarily by an increase of the pension deficit of the UK defined benefit pension scheme due to a reduction of the discount rate.

During the period, Group companies contributed €8.4 million (30 June 2018: €11.2 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.

In the first half of 2019 the assets and liabilities of the Dutch defined benefit pension scheme were transferred to Pensioenfonds Grafische Bedrijven ("PGB"), a multi-employer pension scheme. This transfer had no financial impact on retained earnings. However, it resulted in a gain of €6.9 million to other comprehensive income, representing the recognition of the surplus net pension assets that were previously not recognised and a loss of €6.9 million to the income statement. This loss comprised the curtailment gain of €14.9 million offset by a settlement loss of €21.8m and has been presented as pension costs within employee costs. The PGB has all the features of a defined contribution pension scheme and therefore accounting for this scheme following the transfer will be done on that basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

No material contingent liabilities have been identified as at 30 June 2019 (30 June 2018: None).

Capital commitments

At 30 June 2019 the Group had capital commitments of €15.5 million (30 June 2018: €52.6 million; 31 December 2018: €30.7 million) relating to property, plant and equipment principally in relation to cascades, equipment and buildings.

15. 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 2019 and 30 June 2018 (both Unaudited) and the balances with related parties at 30 June 2019 (Unaudited) and at 31 December 2018 (Audited):

	Sales of Goods & Services		Purchases of Goods & Services		Amounts Owed by Related Parties		Amounts Owed to Related Parties	
	Period ended 30/06/19	30/06/18	Period ended 30/06/19	30/06/18	Period ended 30/06/19	31/12/18	Period ended 30/06/19	31/12/18
	€m	€m	€m	€m	€m	€m	€m	€m
BEIS	21.0	29.9	-	1.8	2.4	4.6	-	-
E.ON	4.9	-	-	-	-	-	-	-
RWE	-	-	7.6	9.1	-	-	-	1.3
ETC ⁽ⁱ⁾	-	-	33.0	37.2	-	0.2	55.2	53.6

(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 ECL.

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 2018 €1.1 million charge). Included in the share of net assets of the Joint Venture as a liability is €23.8 million relating to the Joint Venture (31 December 2018: €20.1 million).

During the period, Group companies contributed €8.4 million (30 June 2018: €11.2 million) for the benefit of employees into post-employment benefit plans.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. 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
	2019 Unaudited €m	2018 Unaudited €m	2018 Audited €m
Short-term employee benefits	1.3	1.4	3.1
Long-term incentive benefits	0.4	0.6	2.3
	<u>1.7</u>	<u>2.0</u>	<u>5.4</u>

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.

16. EVENTS AFTER THE BALANCE SHEET DATE

As of 7 August 2019, no material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the unaudited interim condensed consolidated financial statements.

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.

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.

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