

## news release

9 March 2017

### URENCO Group – Full Year Audited Financial Results Strong Revenue and EBITDA with Net result impacted by impairment of USA operations

**London – 9 March 2017** – URENCO Group (“URENCO” or “the Group”), an international supplier of uranium enrichment services and nuclear fuel cycle products, today announces its results for the full year ended 31 December 2016.

#### Summary

- Strong Revenue and EBITDA, driven by current order book, reflect good operational performance.
- Healthy cash generation and reduction in net financial debt.
- Earnings impacted by exceptional items (impairment of USA operations and restructuring provisions) and adverse foreign exchange movements.
- Market environment continues to be challenging due to over-supply and excess inventories.
- Strategic review completed and implementation commenced.

Financial Highlights (€'m)	2016	2015 (restated or re-presented) <sup>(i)</sup>
<b>Revenue</b>	<b>1,893.0</b>	1,842.2
<b>EBITDA<sup>(ii), (iii)</sup></b>	<b>1,170.0</b>	1,124.6
<b>EBITDA margin %</b>	<b>61.8%</b>	61.0%
<b>Income from operating activities (pre-exceptional items)</b>	<b>693.2</b>	634.4
<b>Exceptional items pre-tax<sup>(iii)</sup></b>	<b>(793.0)</b>	-
<b>(Loss) / income from operating activities (post-exceptional items)</b>	<b>(99.8)</b>	634.4
<b>Net (loss) / income</b>	<b>(456.3)</b>	452.1
<b>Earnings per share</b>	<b>(2.7)</b>	2.7
<b>Capital expenditure</b>	<b>407.6</b>	517.4
<b>Cash generated from operating activities</b>	<b>1,226.0</b>	1,244.1

(i) Further details of the 2015 restatement and re-presentation are set out on page 4.

(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 other expenses.

(iii) Exceptional items pre-tax comprise impairment of the USA operations (€760.0m) and restructuring provisions (€33.0m).

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

“URENCO has delivered a good operational performance during 2016, once again recording increased Revenue and EBITDA. Across the organisation we further improved our safety performance which remains a focus for management to ensure ongoing improvement.

The uranium enrichment market continues to experience over-supply and pricing pressures. In response to these market challenges, URENCO conducted a strategic review, which was completed in the second half of the year. Clear business objectives were identified including optimising the way we do business by creating a more efficient organisation. In this respect, we plan to achieve €300 million in cumulative capital and operational cost savings by 2019. We are confident that this will support the organisation in sustaining its position as a global leader in enrichment services and we will make best use of our technical expertise and centrifuge technology to more broadly serve the nuclear industry.

The deterioration of SWU market prices continued in 2016. Due to the size of our current order book, URENCO will feel the impact of these lower SWU prices primarily from the second half of the next decade, as until such time the majority of our revenues are at contracted prices. The deterioration in the longer term outlook for SWU pricing has resulted in URENCO recording a non-cash impairment charge

against its USA operations in 2016. The restructuring provision created in accordance with the cost optimisation of our business also had no cash impact in 2016. The exceptional charges, together with the impact of adverse foreign exchange movements, have resulted in a net loss for the year.

We continue to make progress with the construction of our Tails Management Facility (TMF). While risks remain in terms of cost and timetable, we anticipate the commissioning of the TMF for late 2017 / early 2018.

We are confident that the strategic direction and vision for the company will enable us to maintain our position as a reliable long-term partner to our customers and provides us with the opportunity to more broadly serve the global nuclear industry and sustain our long-term success.”

## Financial Results

Revenue for the year ended 31 December 2016 was €1,893.0 million, up by €50.8 million over 2015. This increase is mainly due to higher Uranium related sales of €100.5 million, with increased volumes but lower average unit revenues. SWU revenues were down €58.9 million as a result of lower realised average unit revenues.

EBITDA for 2016 increased by 4.0% to €1,170.0 million compared to last year (2015: €1,124.6 million (restated<sup>1</sup>)) which was broadly attributable to lower operating costs and lower net tails provision costs. In 2015 the tails provision rate was increased significantly due to revised operational assumptions, which resulted in an increase in tails provisions of €52.9 million for the historically produced tails at our sites. During 2016 there was a €28.3 million release from the tails provisions which included the impact of the disposal of a limited quantity of higher assay tails. The EBITDA margin for 2016 was 61.8% (2015: 61.0% (restated<sup>1</sup>)) reflecting the benefits of the lower costs referred to above, with the higher revenue impact offset by lower margins attributable to the increased level of Uranium related sales in 2016.

Depreciation was €489.4 million in 2016 (2015: €496.1 million).

Income from operating activities before exceptional items for 2016 increased by €58.8 million to €693.2 million compared to last year (2015: €634.4 million (restated<sup>1</sup>)) due to similar factors driving the increase in EBITDA. The loss from operating activities after exceptional items for 2016 was €99.8 million (2015: €634.4 million (restated<sup>1</sup>)).

In 2016, exceptional items totalling €793.0 million on a pre-tax basis (2015: €nil) were incurred, associated with the impairment of the USA operations (€760.0 million) and restructuring provision costs (€33.0 million). The impairment of the USA operations reflects further downward pressures on long-term price forecasts for uncontracted SWU volumes. These pressures are due to the current surplus of global inventories (across the supply chain), oversupply of enriched uranium and continued nuclear market uncertainty.

Net finance costs for 2016 were €272.0 million, compared to €101.3 million (restated<sup>1</sup>) in 2015. The most significant drivers of this movement were financing charges of €110.2 million (2015: €30.2 million gain) which arise on the retranslation of certain unhedged loan balances in a period of significant exchange rate volatility. In addition, in 2016 losses associated with ineffective cashflow hedges were incurred of €16.6 million (2015: €23.0 million gain).

The net tax charge before exceptional items in 2016 increased compared to last year by €56.4 million to €137.4 million (2015: €81.0 million). This increase arose primarily from non-deductible foreign exchange movements and transfer pricing adjustments, partially offset by a change in the relative proportion of profits and losses generated across the four jurisdictions that URENCO operates in. The net tax charge after the impact of the exceptional items was €84.5 million due to the impact of a net tax credit of €52.9 million associated with the exceptional items incurred in 2016.

Net income before exceptional items decreased to €283.8 million (2015: €452.1 million), corresponding to a Net income margin of 15.0% (2015: 24.5%). This decrease in Net income was mainly due to the

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<sup>1</sup> Further details of the restatement of EBITDA and Income from operating activities are set out on page 4.

increased net finance costs referred to above and a higher income tax expense (before exceptional items). A Net loss after exceptional items of €456.3 million was recorded for 2016 (2015: Net income of €452.1 million).

### **Cash flow**

Operating cash flows before movements in working capital amounted to €1,242.2 million (2015: €1,294.8 million (re-presented<sup>2</sup>)). Cash generated from operating activities was €1,226.0 million (2015: €1,244.1 million) as a result of higher revenues and a more favourable net working capital movement, offset by higher cash costs incurred during 2016 associated with the deconversion, storage and disposal of tails.

Tax paid in the period was €117.1 million (2015: €121.7 million). Net cash flows from operating activities were broadly in line with 2015 at €1,109.4 million (2015: €1,122.4 million (re-presented<sup>2</sup>)).

The Group invested a total of €407.6 million in 2016 (2015: €517.4 million), reflecting the conclusion of our capacity expansion programme in the USA and the ongoing investment in the TMF. The commissioning of the TMF is scheduled for late 2017 / early 2018. Capital expenditure is expected to fall further in future years following the completion of the TMF.

### **Capital structure and funding**

Net debt decreased to €2,618.3 million (2015: €2,827.5 million). The Group's net debt to total asset ratio remained strong at 36.6% (2015: 35.6%) well within the Group's target ratio of less than 60%.

In June 2016, URENCO signed a new five-year €750 million revolving credit facility with ten banks. During the year all €350 million of the outstanding USA dollar private placement debt has been repaid.

The Company's debt is rated by Moody's (Baa1/Stable/P-2) and Standard & Poor's (BBB+/Stable).

In 2016 the final dividend for the year ended 31 December 2015 of €350.0 million was paid (dividend paid in 2015 for the year ended 31 December 2014: €340.0 million).

The final dividend for 2016 of €300.0 million has been approved and will be paid to shareholders on 22 March 2017. The level of the final dividend for 2016 exceeds the level of Net income/(loss) (both before and after exceptional items) but consideration has been given to both (i) the fact that the Net loss has been caused by non-cash charges (foreign exchange losses on certain unhedged loan balances and the USA impairment charge); (ii) the Group's favourable net debt position and credit ratios; and (iii) the availability of sufficient distributable reserves.

### **Outlook**

The global nuclear industry is anticipated to grow and we know from experience that our sustained success is built on the foundations of our established customer relationships. URENCO will ensure that it responds appropriately to the challenges that arise from the UK's proposed exit from the European Union, so as to try to minimise the impact on its operations, customers and employees.

URENCO anticipates that pricing pressures will continue in the near term due to the presence of excess inventories of enriched product. We continue to have long term visibility of our order book which provides financial stability of future revenues and contains orders extending to the second half of the next decade. The value of URENCO's order book at 31 December 2016 was approximately €15.5 billion based on €/€ of 1 : 1.05 (2015: approximately €16.6 billion based on €/€ of 1 : 1.09).

If pricing pressures are sustained into the middle and long term URENCO would experience lower profit margins and reduced cash flow. However, we believe that the combination of our current robust finances coupled with our new strategic direction will enable us to remain a reliable and sustainable

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<sup>2</sup> Further details of the re-presentation of Cash generated from operating activities are set out on page 4.

partner to the global nuclear industry, providing customers with the highest level of service, quality and expertise.

### Notes to Financial Highlights

#### (a) EBITDA

In 2016 the definition of EBITDA has been amended to exclude exceptional items. Accordingly, EBITDA is now defined as follows: Earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results (or income from operating activities before exceptional items plus depreciation and amortisation, plus joint venture results). Depreciation and amortisation are adjusted to remove elements of such charges already included in changes to inventories and other expenses.

In 2016 foreign exchange gains and losses on financing activities have been included within Finance income (year ended 31 December 2016: €14.6 million; year ended 31 December 2015: €96.6 million) and Finance costs (year ended 31 December 2016: €124.8 million; year ended 31 December 2015: €66.4 million) respectively. Previously these were included in Other expenses. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis. This had no impact on Net income for either period.

#### (b) Cash generated from operating activities

Cash generated from operating activities has also been re-presented for foreign exchange differences on monetary items, which are now included in Effect of foreign exchange rate changes in the cash flow statement rather than in increase/(decrease) in payables which impacts Cash generated from operating activities.

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### Definitions

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

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

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

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

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

**Revenue** – Revenue from sale of goods and services.

**Separative Work Unit (SWU)** – The standard measure of the effort required to increase the concentration of the fissionable U235 isotope.

**Tails (Depleted UF6)** – Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of U235 isotope.

**Uranium related sales** – Sales of uranium in the form of UF6, U3O8 or the UF6 component of EUP.

**Disclaimer**

This press release is not intended to be read as the Group's statutory accounts as defined in section 435 of the Companies Act 2006. Information contained in this release is based on the 2016 Consolidated Financial Statements of the URENCO Group, which were authorised for the issue by the Board of Directors on 8 March 2017. The auditor's report on the 2016 Consolidated Financial Statements of the Group was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The Group's 2015 statutory accounts have been delivered to the registrar of companies.

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

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

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December

	2016 Result for the year (post exceptional items)	2016 Exceptional items in year	2016 Result for the year (pre exceptional items)	2015 Result for the year (restated <sup>(i)</sup> )
	€m	€m	€m	€m
Revenue from sales of goods and services	1,893.0	-	1,893.0	1,842.2
Work performed by the Group and capitalised Changes to inventories of work in progress and finished goods	14.7 (38.0)	-	14.7 (38.0)	20.8 24.4
Raw materials and consumables used	(13.0)	-	(13.0)	(11.0)
Tails provision created	(139.6)	-	(139.6)	(182.9)
Employee benefits expense	(184.3)	-	(184.3)	(202.3)
Depreciation and amortisation	(489.4)	-	(489.4)	(496.1)
Impairment of US operations	(760.0)	(760.0)	-	-
Restructuring costs	(33.0)	(33.0)	-	-
Other expenses	(349.8)	-	(349.8)	(354.1)
Share of results of joint venture	(0.4)	-	(0.4)	(6.6)
<b>(Loss)/income from operating activities</b>	<b>(99.8)</b>	<b>(793.0)</b>	<b>693.2</b>	<b>634.4</b>
Finance income	112.7	-	112.7	185.9
Finance costs	(384.7)	-	(384.7)	(287.2)
<b>(Loss)/income before tax</b>	<b>(371.8)</b>	<b>(793.0)</b>	<b>421.2</b>	<b>533.1</b>
Income tax (expense)/income	(84.5)	52.9	(137.4)	(81.0)
<b>Net (loss)/income for the year attributable to the owners of the Company</b>	<b>(456.3)</b>	<b>(740.1)</b>	<b>283.8</b>	<b>452.1</b>
<b>(Loss)/earnings per share</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Basic (loss)/earnings per share	(2.7)	(4.4)	1.7	2.7

(i) In 2016 foreign exchange gains and losses on financing activities have been included within Finance income (year ended 31 December 2016: €14.6 million; year ended 31 December 2015: €96.6 million) and Finance costs (year ended 31 December 2016: €124.8 million; year ended 31 December 2015: €66.4 million) respectively. Previously these were included in Other expenses. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December

	2016 €m	2015 €m
<b>Net (loss)/income for the year attributable to the owners of the Company</b>	<b>(456.3)</b>	452.1
Other comprehensive (loss)/income:		
<u>Items that have been or may be reclassified subsequently to the income statement</u>		
Cash flow hedges – transfers to revenue	105.1	57.4
Cash flow hedges – mark to market	(206.4)	(133.7)
Net investment hedge – mark to market	(343.1)	(87.6)
Deferred tax income on hedges	10.2	7.1
Current tax income on hedges	6.8	3.3
Exchange differences on hedge reserve	53.6	(2.9)
Total movements to hedging reserve	(373.8)	(156.4)
Exchange differences on foreign currency translation of foreign operations	371.5	298.8
Share of joint venture exchange differences on foreign currency translation of foreign operations	1.1	(0.2)
Total movements to foreign currency translation reserve	372.6	298.6
<u>Items that will not be reclassified subsequently to the income statement</u>		
Actuarial (losses)/gains on defined benefit pension schemes	(87.4)	38.9
Deferred tax income/(expense) on actuarial (losses)/gains	14.7	(10.3)
Current tax income on actuarial (losses)/gains	0.5	-
Share of joint venture actuarial (losses)/gains on defined benefit pension schemes	(7.0)	2.5
Utility partner payments	(0.3)	(0.3)
Deferred tax income on utility partner payments	0.1	0.1
Total movements to retained earnings	(79.4)	30.9
<b>Other comprehensive (loss)/income</b>	<b>(80.6)</b>	173.1
<b>Total comprehensive (loss)/income for the year attributable to the owners of the Company</b>	<b>(536.9)</b>	625.2



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December**

	2016	2015
	€m	(Re-presented <sup>(i)</sup> ) €m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,282.8	6,150.5
Investment property	7.4	7.5
Intangible assets	40.9	52.5
Investments including joint venture	1.1	7.2
Financial assets	9.0	9.1
Derivative financial instruments	153.2	77.7
Deferred tax assets	373.3	301.0
	<b>5,867.7</b>	<b>6,605.5</b>
<b>Current assets</b>		
Inventories	550.2	507.7
Trade and other receivables <sup>(i)</sup>	409.7	419.3
Derivative financial instruments	56.7	21.6
Income tax receivable <sup>(i)</sup>	12.0	7.3
Short-term bank deposits	1.6	-
Cash and cash equivalents	251.7	391.3
	<b>1,281.9</b>	<b>1,347.2</b>
<b>Total assets</b>	<b>7,149.6</b>	<b>7,952.7</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital	237.3	237.3
Additional paid in capital	16.3	16.3
Retained earnings	1,123.2	2,008.9
Hedging reserve	(661.5)	(287.7)
Foreign currency translation reserve	828.1	455.5
<b>Total equity</b>	<b>1,543.4</b>	<b>2,430.3</b>
<b>Non-current liabilities</b>		
Trade and other payables	40.8	140.4
Interest bearing loans and borrowings	2,350.7	2,989.6
Provisions	1,491.9	1,416.0
Retirement benefit obligations	142.8	70.9
Deferred income	38.5	42.4
Derivative financial instruments	319.7	203.3
Deferred tax liabilities	39.0	58.2
	<b>4,423.4</b>	<b>4,920.8</b>
<b>Current liabilities</b>		
Trade and other payables	442.5	278.2
Interest bearing loans and borrowings	520.9	229.2
Provisions	18.8	5.0
Derivative financial instruments	175.4	83.3
Income tax payable	23.6	4.1
Deferred income	1.6	1.8
	<b>1,182.8</b>	<b>601.6</b>
<b>Total liabilities</b>	<b>5,606.2</b>	<b>5,522.4</b>
<b>Total equity and liabilities</b>	<b>7,149.6</b>	<b>7,952.7</b>

(i) From 2016 Income tax receivable is separately presented. Previously this was included in Trade and other receivables. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December

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

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2015	237.3	16.3	1,865.9	(131.3)	156.9	2,145.1
Income for the year	-	-	452.1	-	-	452.1
Other comprehensive income/(loss)	-	-	30.9	(156.4)	298.6	173.1
Total comprehensive income/(loss)	-	-	483.0	(156.4)	298.6	625.2
Equity dividends paid	-	-	(340.0)	-	-	(340.0)
As at 31 December 2015	237.3	16.3	2,008.9	(287.7)	455.5	2,430.3

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December

	2016 €m	2015 (Re-presented) €m
<b>(Loss)/income before tax</b>	<b>(371.8)</b>	533.1
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:		
Share of joint venture results	0.4	(3.9)
Depreciation and amortisation	489.4	496.1
Impairment of US operations	760.0	-
Restructuring costs	33.0	-
Finance income <sup>(i)</sup>	(112.7)	(185.9)
Finance cost <sup>(i)</sup>	384.7	287.2
Loss on disposals of property, plant and equipment	1.6	0.8
Increase in provisions	57.6	167.4
<b>Operating cash flows before movements in working capital</b>	<b>1,242.2</b>	1,294.8
Increase in inventories	(92.2)	(10.9)
(Increase)/decrease in receivables and other debtors	(24.4)	0.6
Increase/(decrease) in payables and other creditors <sup>(iii)</sup>	100.4	(40.4)
<b>Cash generated from operating activities</b>	<b>1,226.0</b>	1,244.1
Income taxes paid	(117.1)	(121.7)
<b>Net cash flow from operating activities</b>	<b>1,108.9</b>	1,122.4
<b>Investing activities</b>		
Interest received	70.3	42.9
Proceeds from sale of property, plant and equipment	0.4	0.5
Purchases of property, plant and equipment	(407.6)	(449.9)
Increase in prepayments in respect of fixed asset purchases <sup>(ii)</sup>	-	(67.5)
Purchase of intangible assets	-	(2.3)
Increase in investment	(0.2)	(0.3)
<b>Net cash flow from investing activities</b>	<b>(337.1)</b>	(476.6)
<b>Financing activities</b>		
Interest paid	(212.6)	(172.0)
Payments in respect of settlement of debt hedges	-	(93.4)
Dividends paid to equity holders	(350.0)	(340.0)
Proceeds from new borrowings	366.4	827.7
Placement of short-term deposits	(1.6)	-
Repayment of borrowings	(728.7)	(989.7)
<b>Net cash flow from financing activities</b>	<b>(926.5)</b>	(767.4)
<b>Net decrease in cash and cash equivalents</b>	<b>(154.7)</b>	(121.6)
<b>Cash and cash equivalents and short-term deposits at 1 January</b>	<b>391.3</b>	522.3
<b>Effect of foreign exchange rate changes <sup>(iii)</sup></b>	<b>15.1</b>	(9.4)
<b>Cash and cash equivalents at 31 December</b>	<b>251.7</b>	391.3
<b>Short-term deposits at 31 December</b>	<b>1.6</b>	-
<b>Cash and cash equivalents and short-term deposits at 31 December</b>	<b>253.3</b>	391.3

(i) From 2016 foreign exchange gains and losses on financing activities are included in Finance income (year ended 31 December 2016: €14.6 million; year ended 31 December 2015: €96.6 million) and Finance costs (year ended 31 December 2016: €124.8 million; year ended 31 December 2015: €66.4 million) respectively. Previously they were included in (decrease)/increase in payables and other creditors. The presentation of the comparable financial information for the year ended 31 December 2015 has been re-presented to be on a consistent basis.

(ii) This represents prepayments in respect of fixed asset purchases payments made to the ETC joint venture in advance of deliveries of centrifuge cascades.

(iii) The presentation of Effect of foreign exchange rate has been amended. This now also includes foreign exchange differences on Cash and cash equivalents and Short-term deposits which were previously reported under Decrease in payables and other creditors. The comparative information for the year ended 31 December 2015 has been amended to be on a consistent basis.