# Half-year financial report

June 30, 2017

AREVA

**General comments**

This financial report contains statements on the objectives, prospects and growth areas for the AREVA group. This information is not meant as a presentation of past performance data and should not be interpreted as a guarantee that the events or data set forth herein are assured or that the objectives will be met. The statements of prospects in this financial report also address known and unknown risks, uncertainties and other factors that may, if they happen, have the effect that future income, performance and achievements of the AREVA group might be significantly different from the objectives set and put forward. Those factors may include, in particular, changes in international, economic or market conditions, as well as risk factors presented in section 2.1. AREVA has no obligation to update the information on prospects contained in this document, subject to the ongoing disclosure obligations applicable to companies whose stock is admitted to trading on regulated markets.

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# 1 Persons responsible

## 1.1 Person responsible for the half-year report

Mr. Philippe Soulié, Chief Executive Officer of AREVA.

## 1.2 Certification of the half-year report by the person responsible

"I certify, to the best of my knowledge, that the condensed financial statements for the first half of 2017 are prepared in accordance with applicable accounting standards and give a true and fair view of the net worth, financial position and income of the company and all the companies included in consolidation, and that the half-year financial report herewith presents a fair view of the major events that occurred during the first six months of the fiscal year, of their effect on the financial statements and of the main transactions between related parties, and gives a description of the main risks and uncertainties for the remaining six months of the financial year."

Paris, July 28, 2017

Philippe Soulié

Chief Executive Officer of AREVA

# 2 Half-year business report

In this document, “AREVA” designates AREVA SA and all of the subsidiaries and interests held directly or indirectly.

“AREVA NP” designates AREVA NP SAS and all of the subsidiaries and interests held directly or indirectly.

“New NP” combines the operations of AREVA NP, excluding the OL3 contract and the means needed for its completion, and, as appropriate, certain component contracts affected by serious anomalies which might be identified in connection with the ongoing quality audit.

“NewCo” is the temporary name of the entity which combines all of the operations of AREVA related to the nuclear fuel cycle, whose legal name is New AREVA Holding.

## 2.1 Significant events

### 2.1.1 Highlights of the period

The first half of 2017 was notably marked by the continued implementation of the group’s restructuring plan, consistent with the strategic roadmap presented to the market on June 15, 2016.

**Capital increases of AREVA SA and NewCo**

**European Commission consent for the French State’s participation in the Restructuring Plan**

On April 29, 2016, the French authorities notified the European Commission of a restructuring aid measure which takes the form of twin capital increases by the injection of public capital in the amount of 2 billion euros in AREVA SA and in the maximum amount of 2.5 billion euros in NewCo.

On January 10, 2017, at the end of the European Commission’s review of the file, it authorized the French State’s participation in the capital increases of AREVA SA and NewCo in the maximum amount of 4.5 billion euros (2 billion euros for AREVA SA and a maximum of 2.5 billion euros for NewCo), subject to:

- the findings of the Autorité de sûreté nucléaire (ASN) on the results of the demonstration program concerning the problem of carbon segregation identified in parts of the EPR reactor vessel of the Flamanville 3 project, without calling into question the suitability for service of the vessel parts due to that segregation or, alternatively, a decision by EDF to waive the condition precedent in the share purchase agreement of New NP[1] related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of that reactor’s vessel; and
- the European Commission’s authorization of the merger between EDF and New NP.

[1] New NP combines the operations of AREVA NP, excluding the contract of the Olkiluoto 3 EPR power plant in Finland and the resources needed for its completion, and certain Component contracts.

The European Commission’s authorization of January 10, 2017 was also accompanied by commitments from the group until the end of the restructuring project, planned for 2019. These commitments are, in particular, (i) not to increase the capacity of the Georges Besse II plant, except for the acquisition and installation of centrifuges provided for in its existing agreements; (ii) for New NP, under the control of EDF and NewCo, not to enter into any strategic partnership or other framework agreement providing for commercial cooperation which would give NewCo an advantage in situations where New NP would seek to propose an integrated offer with a nuclear materials supplier to a customer; and (iii) to abstain from initiating acquisitions of interests in any company which is not already under the group’s control, apart from certain exceptions stipulated in the authorization decision.

Additionally, on January 10, 2017, the European Commission authorized rescue aid in the form of two advances from the shareholder current account of the French State, one for AREVA in the amount of 2 billion euros and the other for NewCo in the amount of 1.3 billion euros, to enable the Group to meet its financial obligations for six months.

On May 29, 2017, the European Commission authorized the merger of EDF and New NP, thus lifting the second condition set by the European Commission.

On July 12, 2017, in particular in view of ASN's draft opinion of June 28, 2017 indicating that “the mechanical characteristics of the pressure vessel bottom head and closure head are adequate with regard to the loadings to which these parts are subjected, including accident situations”, EDF notified AREVA SA of its decision to waive the condition precedent related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of the vessel of that reactor, thus lifting the first condition set by the European Commission.

As all of the conditions provided for in connection with the decision of January 10, 2017 have been fulfilled, the French State participated in the reserved AREVA SA capital increase in the amount of approximately 2 billion euros on July 12, 2017 and, on July 26, 2017, in the reserved NewCo capital increase in the amount of approximately 2.5 billion euros (see below).

**Signature of the memorandum of investment and of the shareholders’ agreement of JNFL and MHI related to the capital of NewCo**

On March 13, 2017, Japan Nuclear Fuel Ltd (JNFL), Mitsubishi Heavy Industries (MHI), NewCo, the French State and AREVA SA signed a memorandum of investment and a shareholders’ agreement related to the acquisition of a stake in NewCo’s capital by JNFL and MHI at the level of 5% each of NewCo’s capital, amended by an amendment dated July 26, 2017.

**AREVA SA capital increase**

Following the recording of the fulfillment of the preconditions set by the European Commission in its decision of January 10, 2017 (see above, “European Commission consent for the French State’s participation in the Restructuring Plan”), the AREVA SA Board of Directors, meeting on July 12, 2017, initiated the implementation and recorded the completion of the AREVA SA capital increase of approximately 2 billion euros (exact amount: 1,999,999,998 euros) reserved for the French State (by offset to the receivable from AREVA SA held by the French State pursuant to the advance from the shareholder current account granted by the French State in connection with the European Commission’s decision of January 10, 2017 to authorize rescue aid, described above).

This capital increase had been authorized by the shareholders during the General Meeting of Shareholders of February 3, 2017, which had delegated all powers to the AREVA SA Board of Directors, in particular for the purposes of implementing and completing said capital increase. Taking into account the completion of the capital increase, the French State now holds 92.22% of the capital and 91.70% of the voting rights of AREVA SA directly and indirectly via the CEA.

The new shares were issued at the price of 4.50 euros per share with cancellation of the preemptive subscription right of AREVA SA's shareholders in favor of the French State, as approved by the shareholders during the General Meeting of Shareholders of February 3, 2017.

The main objective of the capital increase, as a supplement to the income from asset disposals and the sale of New NP to EDF in progress, is to enable AREVA SA to meet its cash requirements and in particular to ensure the successful completion of the OL3 project.

The distribution of AREVA SA's capital at the end of the AREVA SA capital increase is shown in the table below.

| Shareholder | Number of shares outstanding | Percentage of capital | Number of theoretical voting rights(1)(2) | Percentage of theoretical voting rights(1)(2) |
|---|---|---|---|---|
| **French State** | 554,931,780 | 67.05% | 663,419,116 | 56.33% |
| **CEA** | 208,349,383 | 25.17% | 416,698,766 | 35.38% |
| **French State total** | **763,281,163** | **92.22%** | **1,080,117,882** | **91.70%** |
| **Kuwait Investment Authority (KIA)** | 18,461,538 | 2.23% | 36,923,076 | 3.13% |
| **Bpifrance Participations SA** | 12,712,910 | 1.54% | 12,712,910 | 1.08% |
| **EDF** | 8,571,120 | 1.04% | 17,142,240 | 1.46% |
| **Total Group** | 3,640,200 | 0.44% | 6,206,360 | 0.53% |
| **AREVA employees** | 4,520,517 | 0.55% | 8,240,554 | 0.70% |
| **Public** | 15,498,374 | 1.87% | 15,527,976 | 1.32% |
| **Treasury shares(3)** | 963,474 | 0.12% | 963,474 | 0.08% |
| **Total** | **827,649,296** | **100%** | **1,177,834,472** | **100%** |

(1) *Theoretical voting rights are calculated based on the total number of shares to which a voting right is attached, including shares stripped of voting rights (treasury shares and shares under the company's control).*

(2) *Since April 3, 2016, a double voting right is attached to all fully paid-up shares registered in the name of a single holder for at least two years as from April 3, 2014.*

(3) *The company rescinded the liquidity contract with Natixis on July 12, 2017. The 222,984 shares which had been held in connection with that contract at July 12, 2017 were thus transferred to the company's treasury shares account.*

### NewCo capital increase

The NewCo capital increases in the total amount of approximately 3 billion euros are to be carried out in two stages:

- a capital increase reserved for the French State in the amount of approximately 2.5 billion euros carried out on July 26, 2017 simultaneously with the placement in trust of the funds corresponding to the total amount of the future investment of JNFL and MHI in NewCo, i.e. 500 million euros;
- a capital increase reserved for JNFL and MHI, each for a total amount of approximately 250 million euros, subject to the fulfillment of conditions precedent (including the sale of the majority control of New NP to EDF) agreed upon by the French State, AREVA SA, MHI, JNFL and NewCo.

On July 12, 2017, the NewCo Board of Directors, acknowledging the fulfillment of the preconditions set by the European Commission, decided to make use of the delegation of authority granted by the General Meeting of Shareholders of February 3, 2017 to implement the first NewCo capital increase reserved for the French State. That capital increase of approximately 2.5 billion euros was implemented on July 26, 2017.

At the end of this first stage, AREVA SA holds a minority interest in NewCo of 44.44 % of the capital and voting rights, entailing AREVA's loss of control of NewCo. At the end of the second stage, this minority interest in NewCo should be 40%.

The objective of the NewCo capital increases is to enable it to meet its financial obligations, to develop, and to be in a position in the medium term to get market financing.

### Public takeover bid on AREVA SA shares

In view of, in particular, AREVA SA's loss of control of NewCo induced by the NewCo capital increase reserved for the French State carried out on July 26, 2017, and in view of the plan to sell the exclusive control of New NP to EDF, the French State filed a draft public takeover bid on AREVA SA shares not held by the State directly or indirectly through the CEA on July 13, 2017, in accordance with article 236-6 of the general regulations of the Autorité des marchés financiers (AMF).

The French State benefits from contribution commitments which should enable it to hold more than 95% of the capital and voting rights of AREVA SA at the end of the public takeover bid. At that time, insofar as AREVA SA shares not contributed to the public takeover bid should not represent more than 5% of the capital or voting rights of AREVA SA, the French State intends to ask AMF to implement a compulsory withdrawal aimed at AREVA SA shares once that bid has closed.

The price of the public takeover bid and, as applicable, of the compulsory withdrawal will be identical to the issue price of the AREVA SA capital increase, i.e. 4.50 euros per share.

Meeting on July 12, 2017, the AREVA SA Board of Directors, having perused (i) the conclusions of the report from the Finexsi firm, the independent expert appointed to express an opinion on the fairness of the price of the public takeover bid and, as applicable, of the compulsory withdrawal, and (ii) recommendations from the Ad Hoc Committee, and after having deliberated on them, considered that the draft public takeover bid, and as applicable the compulsory withdrawal which may follow it, were consistent with the interests of AREVA SA and of its employees and shareholders. It decided to issue a favorable opinion on the draft public takeover bid followed as applicable by a compulsory withdrawal, and to recommend that its shareholders contribute their shares to the public takeover bid.

The report from the Finexsi firm and the reasoned opinion of the Board of Directors are reproduced in AREVA SA's draft response note, which was published on July 13, 2017, after the French State had filed the draft public takeover bid with the AMF.

This proposed public takeover bid remains subject to AMF's conformity decision.

## Asset disposals

### Sale of AREVA TA

On December 15, 2016, the company signed a share purchase agreement to sell all of its shares in AREVA TA to a consortium of buyers composed of the Agence des Participations de l'État (APE, 50.32% of the share capital), the Commissariat à l'énergie atomique et aux énergies alternatives (CEA, 20.32%), and DCNS (20.32%). EDF will keep its 9.03% interest in the capital.

The sale closed on March 29, 2017 after the employee representative bodies had been consulted and the ministerial orders related to the sale had been published. The income on disposal totaled 315 million euros and was recognized under “Net income from operations held for sale”.

In parallel, AREVA TA and AREVA NP signed a set of agreements dated March 28, 2017 stipulating:

- the withdrawal of AREVA NP from the joint venture whose purpose was to manage the definition and development phases of the RJH reactor, followed by its construction;
- the supply of services by AREVA NP (RJH project support, engineering studies, contract management, construction and testing management) to AREVA TA as a subcontractor as from May 2017.

**Sale of the interest in Adwen**

On September 14, 2016, after exercising its option to sell, AREVA sold its 50% interest in the Adwen joint venture to Gamesa on January 5, 2017. Adwen had been recognized as an asset held for sale at December 31, 2016.

**Sale of Mainco**

Because of the refocusing of the Logistics operations on its core business, the Mainco subsidiary was sold to the family-owned Breton Axiom group on June 30, 2017.

## Performance plan

**Voluntary departure plan and change in the group's workforce**

At June 30, 2017, 2,058 departures were recorded in connection with the voluntary departure plans in France for the AREVA Mines, AREVA NC, AREVA NP, AREVA Business Support, SET and Eurodif Production companies. Across the group's footprint, the workforce has been reduced by approximately 4,800 people, all reasons combined, since January 1, 2015 and at constant consolidation scope (not including the impacts of asset disposals).

Thus, at June 30, 2017, AREVA had a global workforce of 34,227 employees, compared with 41,847 employees at December 31, 2014, a reduction of approximately 18.2%, representing 7,620 employees (including 2,795 employees related to the sales of the subsidiaries Canberra, Elta, AREVA TA and Mainco, and 4,825 employees who left the group).

## Status of component manufacturing

The quality audit of the Creusot plant continued in the first half of 2017.

AREVA NP defined a comprehensive performance improvement plan for the site based on strengthening safety culture, on a robust quality management system, on a strengthened organization, and on fully controlled manufacturing processes. Its deployment began in 2016 and is the subject of regular reviews with customers in France and abroad as well as with the safety authorities concerned. Currently consisting of 52 action items, it includes all of their recommendations and continues to be the subject of progress reviews and site inspections.

The plan will continue to be deployed at the site. AREVA NP will also continue to implement its CAPEX plan at the level of 8 million euros for 2017.

In parallel, review of past manufacturing files of the Creusot site continues with the customers and the safety authorities concerned. The reviews conducted at AREVA NP's Jeumont and Saint-Marcel sites have now been completed and confirm the absence of practices similar to those found at the Creusot site. Actions to strengthen safety culture are carried out at all of AREVA NP's component manufacturing sites.

## Other highlights

**Change of AREVA SA's governance**

Appointment of new directors

The Combined General Meeting of Shareholders convened on February 3, 2017 ratified the appointment by cooptation of Mrs. Marie-Hélène Sartorius as director.

The Annual General Meeting of the company's shareholders convened on May 18, 2017 appointed two directors recommended by the French State: Mrs. Marie-Solange Tissier and Mrs. Florence Touïtou-Durand.

On June 27, 2017, Mr. Bruno Vincent was appointed to the AREVA SA Board of Directors as a representative of the French State by ministerial order, replacing Mr. Alexis Zajdenweber.

The terms of office of the three directors representing company personnel were ended early during the execution of the NewCo capital increase insofar as, given AREVA's loss of control of NewCo induced by said capital increase, said directors no longer hold employment contracts with one of the direct or indirect subsidiaries of AREVA SA. In accordance with what was agreed with the labor unions, a representative of each labor union who had sponsored an employee director (CFE-CGC, CFDT and CGT) is invited to the AREVA SA Board of Directors as an observer until the next elections to elect new directors representing the company personnel, which will be held during the second half of 2017 or the beginning of 2016.

Following approval of the consolidated half-year financial statements and of this half-year financial report by the AREVA SA Board of Directors on July 27, 2017, it is planned to initiate a recomposition of the AREVA SA Board of Directors and of its committees.

Amendments to the Articles of Association

As a consequence of the completion of the AREVA SA capital increase, during its meeting of July 12, 2017, the AREVA SA Board of Directors acknowledged the entry into effect of amendments to the Articles of Association approved by the Combined General Meeting of the company's shareholders convened on February 3, 2017, in order to bring AREVA SA's Articles of Association into compliance with legal requirements. The amended AREVA SA Articles of Association thus took effect on July 12, 2017.

Appointment of a new Chief Executive Officer

To comply with the provisions of the Order and of AREVA's new Articles of Association, Mr. Philippe Knoche resigned on July 12, 2017 from his term of office as Chief Executive Officer of the company, and on that same day, by a decision of the Minister of Economy, was appointed acting Chief Executive Officer until the appointment by decree of his successor, in accordance with the provisions provided in article 21 of the Order.

During its meeting of that same day, the Board of Directors proposed the appointment of Mr. Philippe Soulié as Chief Executive Officer of AREVA SA, which was enacted by decree dated July 27, 2017.

**Highlights concerning NewCo**

- On April 10, 2017, AREVA and Kazatomprom signed an agreement aimed at strengthening their cooperation in the uranium mining sector in Kazakhstan. This agreement offers new long-term prospects to Katco, a joint subsidiary of AREVA (51%) and Kazatomprom (49%), with the development of the South Tortkuduk project, which will ensure its production over the next two decades.
- On February 21, NewCo and CNNC signed a framework agreement for industrial and commercial cooperation in nuclear fuel cycle operations which reinforces the industrial negotiations in progress between the two parties and opens the way to new industrial and commercial opportunities between the two countries.
- On June 9, AREVA announced that the AREVA-EWN consortium was going to dismantle the vessel internals of the Brunsbüttel reactor operated by Vattenfall GmbH.
- On July 11, AREVA announced the signature of a contract with the NorthStar group, which specializes in the cleanup and dismantling of nuclear facilities in the United States. This contract concerns the cutting up and packaging of the vessel and of the vessel internals of the Vermont Yankee boiling water reactor in the State of Vermont. AREVA will also ship the packaged elements to a dedicated disposal site.

### Highlights concerning AREVA NP

Creation of Edvance

The AREVA SA Board of Directors approved the creation of the Edvance company at the end of April, followed by approval from the Board of Directors of the EDF Group on May 17, 2017, concluding the combining of EDF's and AREVA NP's engineering teams for the construction of nuclear islands.

The new Edvance company will manage the basic and detailed designs as well as the construction of nuclear islands (engineering, procurement assistance, installation, testing and startup) in connection with new builds in France and abroad. Edvance will be the architect-engineer for instrumentation and control systems, meaning that it will define the specifications of operational and safety instrumentation and control systems.

In the first half of 2017, EDF and AREVA NP signed the necessary documents for the creation of Edvance (shareholders' agreement, framework agreement for staff secondment, and project-specific agreement).

Edvance is a simplified joint-stock company held by EDF (80%) and AREVA NP (20%). It was registered in Paris on June 1, 2017.

Signature of a master contract with EDF on intellectual property and rights of use

On June 30, 2017, AREVA NP and EDF signed an agreement defining the rights of use and related conditions for AREVA NP's intellectual property for the benefit of EDF and its affiliates in the construction of new builds and the servicing of the operating nuclear fleet.

This 10-year agreement will structure relations between AREVA NP and EDF as concerns intellectual property. In return, AREVA NP will receive an annual payment.

This agreement has been applied on an interim basis since July 1, 2017 to meet the requirements of operations performed by Edvance for the sole requirements of the EPR NM project. The planned effective date of the above-mentioned scope is October 1, 2017.

## Progress of large projects

### Taishan 1 & 2

Hot testing on unit 1 continued, and the first fuel core was delivered in April.

### Flamanville 3

- On March 15, 2017, the full testing phase was launched with water filling of the primary cooling system.
- On June 28, the nuclear safety authority ASN presented its findings regarding the tenacity of the upper and lower heads (closure head and bottom head) of the Flamanville EPR reactor and published its draft opinion on July 10, 2017. This draft is subject to public consultation and comment until September 12, 2017, after which ASN will render a final opinion, expected in October 2017. On the basis of the technical analyses carried out, ASN considers that the mechanical characteristics of the pressure vessel bottom head and closure head are adequate with regard to the loadings to which these parts are subjected, including accident situations. However, the anomaly in the chemical composition of the steel entails a reduction in the margins with respect to the fast fracture risk. ASN therefore considers that EDF must implement additional periodic inspections to ensure that no flaws appear subsequently. ASN observes that such inspections can be performed on the vessel bottom head and therefore considers that they must be implemented. However, the technical feasibility of similar inspections on the pressure vessel closure head is not established. ASN therefore considers that the use of the closure head must be limited in time. It notes that it would take about seven years to manufacture a new closure head, which could thus be available by the end of 2024. In these conditions, ASN considers that the current closure head shall not be operated beyond that date.

**Olkiluoto 3**

- On May 18, 2017, TVO withdrew its summary application against AREVA aimed at obtaining information on its restructuring and on the potential consequences for the execution of the OL3 contract.
- On July 1, the OL3 project teams met a major milestone in connection with the commissioning of the EPR reactor by successfully completing cold functional testing.
- In accordance with the schedule of the arbitration proceeding, the court of arbitration rendered a third partial decision on July 10, 2017 in favor of TVO's position. It follows a second partial decision which had already been rendered at the end of 2016 allowing certain requests from TVO. However, these last two partial decisions do not constitute a ruling on TVO's allegations against the consortium of serious or intentional offence, nor on the financial outcome of the dispute between the parties. The final decision is expected in early 2018. In addition, the consortium and its counsel consider that the allegations of serious/intentional offence made in TVO's counterclaim remain unfounded.

### 2.1.2 Related party transactions

Details of the main transactions with related parties are given in Note 16 to the half-year consolidated financial statements.

### 2.1.3 Risk factors

The significant risks and uncertainties faced by the group are described in Section 4. *Risk factors* of the 2016 Reference Document filed with the French financial market regulator AMF on April 11, 2017 and available on latter's website (www.amf-france.org.) as well as on AREVA's website (www.areva.com). This description of principal risks remains valid as of the date of publication of this report for the evaluation of major risks and uncertainties which could affect the group at the end of the current financial year. No significant risks or uncertainties are anticipated other than those presented in the Reference Document.

#### Concerning the status of liquidity and continuity of operations

At June 30, 2017, AREVA's consolidated cash position was 1.421 billion euros; it benefitted from the payment in the first half of 2017 of two shareholder advances in the total amount of 2.0 billion euros. In addition, current borrowings for AREVA's continuing operations amounted to 3.342 billion euros, consisting mainly of shareholder advances in the amount of 2.0 billion euros, repaid by offsetting the payable with a capital increase in the same amount on July 12, and the syndicated line of credit of 1.25 billion euros repayable in January 2018. In addition, AREVA guarantees NewCo's borrowings (bond debt and financing of the Georges Besse II industrial asset in the total amount of 5.5 billion euros) until the completion of the New AREVA Holding capital increases in the amount of at least 3 billion euros.

The capital increase of 2 billion euros which occurred on July 12, 2017 and the sale of New NP to EDF by the end of 2017 in the amount of approximately 2.5 billion euros (excluding potential earn-out provisions and price supplements) aim to enable the company to pay down its debt and to finance its future operations until the extinguishment of its commitments, in particular with respect to the completion of the OL3 project, disputes, and guarantees given on certain contracts.

AREVA has not identified items likely to call into question the completion of the New NP sale before the end of 2017. To secure the schedule for the transaction, AREVA is maintaining tight control of the selling process and of the fulfillment of the conditions precedent stipulated in the share purchase agreement.

Taken together, these items will ensure the continuity of operations.

If the sale of New NP were to occur late in the year, AREVA SA secured a commitment from its banking partners on March 28, 2017 for senior secured bridge financing of 300 million euros, repayable on January 8, 2018.

In addition, if the combined risks and guarantees related to the continuing operations and guarantees given in connection with restructuring operations were to exceed available resources, the company holds an interest in New AREVA Holding whose value amounted to a little more than 2 billion euros at June 30, 2017.

## Status of component manufacturing

### Testing program for the bottom and closure heads of the FA3 reactor vessel

During 2016, AREVA carried out a testing program on sacrificial parts to demonstrate that the bottom head and closure head of the Flamanville 3 reactor vessel had adequate tenacity, in accordance with the program validated by ASN in its letter of December 14, 2015, supplemented by its letter of September 26, 2016.

Throughout the conduct of this testing program, it was subject to surveillance by the Notified Organization appointed by ASN. EDF was associated with these tests.

The final report was sent to ASN on December 16, 2016. It was reviewed by the latter together with the Institute for Radiation Protection and Nuclear Safety (IRSN) during the first half of 2017.

On June 28, ASN presented its findings concerning the tenacity of the upper and lower heads (closure and bottom heads) of the Flamanville EPR reactor vessel, and it published its draft opinion on July 10, 2017. This draft is subject to public consultation and comment until September 12, 2017, after which ASN will render a final opinion, expected in October 2017.

On the basis of the technical analyses carried out, ASN considers that the mechanical characteristics of the pressure vessel bottom head and closure head are adequate with regard to the loadings to which these parts are subjected, including accident situations. However, the anomaly in the chemical composition of the steel entails a reduction in the margins with respect to the fast fracture risk. ASN therefore considers that EDF must implement additional periodic inspections to ensure that no flaws appear subsequently. ASN observes that such inspections can be performed on the vessel bottom head and therefore considers that they must be implemented.

However, the technical feasibility of similar inspections on the pressure vessel closure head is not established. ASN therefore considers that the use of the closure head must be limited in time. It notes that it would take about seven years to manufacture a new closure head, which could thus be available by the end of 2024. In these conditions, ASN considers that the current closure head shall not be operated beyond that date.

These findings are based, among other things, on the opinion of the ESPN standing group, which also indicates that the approach presented supports “the finding that the material presents mechanical properties of an adequate level to prevent the risks of concern and to ensure the suitability for service of the heads”. The ESPN standing group points to the extent of the testing program carried out by AREVA NP and the prudence factors of the file.

These preliminary findings reinforce the assumptions adopted to define the positions taken in the financial statements for the year ended December 31, 2016.

### Carbon concentration of steam generator channel heads

The discovery of high concentrations of carbon in the channel heads of steam generators in EDF’s fleet gave rise in 2016 to a significant program of inspections, testing and analysis to demonstrate the suitability for service of those components and to propose strengthened manufacturing processes guaranteeing that these phenomena are under control to ASN. The channel heads concerned are mainly subcontracted parts and are not forged at Creusot. The analyses provided in 2016 enabled the restart of the reactors in the EDF fleet.

In the first half of 2017, the analytical program was expanded and the number of samples was increased, including in particular assessments of representative channel heads and of sacrificial ingots for JCFC and Creusot forgings.

### Quality action plan concerning AREVA NP

The quality audit of the Creusot plant launched at the end of 2015 continued in 2017. Within this framework, all of the quality processes were reviewed and improvement measures are being implemented.

Concerning the Creusot plant, the quality audit was supplemented by exhaustive analysis of all manufacturing files of forged parts, with the objective of identifying and dealing with potential anomalies. Files presenting practices which are not in compliance with Creusot's quality assurance rules were identified. The anomalies found are the subject of a technical characterization submitted to a technical committee. This work is being carried out with the operators and customers concerned. The objective of this work is to validate the characterization performed and to deal with the anomalies by providing customers and the safety authorities with appropriate technical demonstration of the operability of the parts, as per the contractual and regulatory requirements. An information and discussion process has been implemented in which the nuclear safety authorities in particular are involved. All of the customers concerned by the identified anomalies have been informed by AREVA.

To date, the analyses have found that no observed anomaly compromises the mechanical integrity of the parts concerned. Additional analysis and testing are necessary in a few cases, the most important of which are as follows:

- The case of an equipment item delivered to the Fessenheim 2 power plant, where analyses were provided in response to ASN requests following the suspension of the test certificate of one of the steam generators. In this case, a demonstration report was sent to ASN and is in the process of being reviewed by the latter.
- The case of an anomaly on a steam generator delivered to the Flamanville 3 site, which is the subject of characterization for purposes of responding to requests from ASN. To that end, a demonstration report and testing on sacrificial parts are in progress. The results of the main program are expected in October 2017. Should an additional demonstration program be required, the results will be available at the end of 2017. At this time, this anomaly is deemed to be on the critical path of the schedule for the unit’s commissioning.
- The case of a serious anomaly identified on an upper shell of a steam generator for the Gravelines 5 contract. During the first half of 2017, AREVA NP confirmed its decision to replace the upper part of the steam generator.

Additionally, the audit extended to the St Marcel and Jeumont sites was completed and found that no similar anomaly had been identified at those two sites as of the date of closing. Feedback from EDF confirming the end of the audits at both sites is expected in September 2017.

### Tensile testing performed at the Creusot laboratory

Following the deficiencies found in April 2015 concerning tensile test protocols at the Creusot laboratory, systematic verification was undertaken to demonstrate the parts concerned through analysis or by retesting on test specimens. The identified anomalies are being dealt with as deviations in coordination with the customers. A provision was set up in the financial statements for the year ended December 31, 2016 for the cost of repeating tensile tests and analysis.

In the first half of 2017, the cost to completion was increased to enable accelerated treatment in view of the priorities for 2017, in particular for FA3 and the 1300 MW steam generators. An additional 26 people will be mobilized in 2017 on average in relation to the requirement initially contemplated.

### Follow-up of the Creusot site inspection performed by the NRC

At ASN's invitation, the safety authorities of several countries performed an inspection of the Creusot site at the end of 2016 following the inspection protocol of the Multinational Design Evaluation Program (MDEP). Following that inspection, the U.S. Nuclear Regulatory Commission (NRC) published its report on February 22, 2017. In the report's conclusion, the NRC considers in particular that AREVA NP continues to meet the applicable requirements of the American Society of Mechanical Engineers'Code (ASME).

ASME inspectors audited the St Marcel and Creusot sites on May 29 and June 2, 2017. The objective of the inspection/audit was to identify whether the manufacturer, St Marcel, and its forging company, Creusot, had complied with ASME's requirements, and whether ASME's certification of St Marcel and Creusot should be maintained or suspended.

The ASME inspection team's recommendation, expected in February 2018, will be to maintain the ASME certification of the two sites and to set up regular reporting to ASME on the action and improvement plans, which are moreover recognized for their pertinence.

Particular attention will have to be paid to the resolution of the audit sheets and the reports on three components, and a presentation from our organizations to the appointed inspectors will have to be carried out in connection with the ASME recertification audits planned for November 2017.

### Concerning the above-mentioned quality subjects

AREVA has not constituted a specific provision associated with potential liability-related actions for any of the quality subjects. In fact, as of this date, AREVA is not aware of customer or third-party claims for any of the quality subjects mentioned above.

However, the group cannot exclude the possibility of claims from third parties. In particular, EDF notified AREVA in early February 2017 that the company was reserving the right to ask for redress and to take any legal action as the result of AREVA NP's breaches of its contractual, legal or regulatory obligations or related to the industrial code. Independently of these potential claims, AREVA continues discussions with customers, safety authorities and certifying organizations in order to deal with these subjects as quickly as possible in the interest of facility safety.

Criminal complaints concerning some of these anomalies were filed against EDF and AREVA on October 14, 2016 with the public prosecutor's office of the Tribunal de Grande Instance de Paris (High Court of Paris), in particular by the NGO Greenpeace. In addition, in accordance with article 40 of the French Code of Criminal Procedure (under which any established authority and any publicly appointed official or civil servant with knowledge of a felony or a misdemeanor within the framework of his/her functions is required to "advise the State Prosecutor without delay"), the Chairman of ASN referred the matter of "irregularities" in the part manufacturing files at AREVA NP's Creusot plant to the State Prosecutor in October 2016.

According to a judicial source, a preliminary investigation was opened by the public health section of the Public Prosecutor's office of Paris pursuant to this referral and is ongoing in France.

### Documentary deviations on qualifications of operating procedures of welds on pump motors

In early 2017, documentary deviations for qualifications of operating procedures of welds on pump motors were identified. Some deviations were demonstrated through calculations; other welds are to be the subject of additional analysis and investigations.

## 2.2 Summary data

### 2.2.1 Financial indicators

Pursuant to IFRS 5, data reported for revenue, operating income, EBITDA, operating cash flow and net debt concern the continuing operations exclusively, i.e. the Olkiluoto 3 EPR contract in Finland (OL3), the remaining Bioenergy operations, the recognition of costs and provisions for risks and expenses related to the group's restructuring, and AREVA's bank financing.

All of the financial items related to operations sold, discontinued or held for sale are presented on a separate line of the statement of income, the statement of cash flows and the statement of financial position. In this regard, data reported at June 30, 2016 were restated for purposes of comparability.

However, net income attributable to owners of the parent and net cash flow from company operations also include income and cash flows from operations sold, discontinued or held for sale.

The following operations meet the criteria of IFRS 5 for classification as "operations sold, discontinued or held for sale" at June 30, 2017:

- New AREVA Holding and its subsidiaries, corresponding to the "NewCo" consolidation scope;
- AREVA NP (excluding the OL3 contract) and its subsidiaries, corresponding to the "New NP" consolidation scope;
- Nuclear Measurements (Canberra), sold on July 1, 2016;
- Propulsion and Research Reactors (AREVA TA), sold on March 29, 2017;
- Solar Energy;
- Wind Energy (Adwen), sold on January 5, 2017.

The bioenergy operations, which are not to be continued, do not meet the criteria set by the accounting standards for classification as discontinued operations owing to the existence of a project still in progress.

| *In millions of euros* | **H1 2017** | **H1 2016*** | ***Change 2017/2016*** |
|---|---|---|---|
| **Revenue** | 11 | 2 | *+€9 m* |
| **Reported operating income** | (297) | (2) | *-€295 m* |
| **Net income attributable to owners of the parent from operations sold, discontinued or held for sale**/*** | 826 | (133) | *+€959 m* |
| **Net income attributable to owners of the parent** | 550 | (120) | *+€670 m* |
| **Earnings per share** | +€1.44 | -€0.31 | *+€1.75* |
| **Reported EBITDA** | (248) | (371) | *+€123 m* |
| **Reported operating cash flow** | (314) | (293) | *-€20 m* |
| **Net cash flow from company operations** | (474) | (497) | *+€23 m* |
| | **6/30/2017** | **12/31/2016** | |
| **Net debt (-) / net cash (+)** | (1,971) | (1,473) | *-€498 m* |

** Adjusted for application of IFRS 5.*
*** AREVA NP operations (excluding the OL3 project), Nuclear Measurements, Propulsion and Research Reactors, and Solar Energy.*
**** Net income from operations classified under IFRS 5 is after neutralization of amortization, depreciation and impairment.*

### 2.2.2 Reconciliation of principle aggregates at June 30, 2017

The table below outlines the contributions from operations sold, discontinued or held for sale to the results reported by the group at June 30, 2017.

| | | Operations sold, discontinued or held for sale | | |
|---|---|---|---|---|
| *In millions of euros* | **Reported** | **NewCo** | **Other operations classified under IFRS 5** | **Total** |
| Revenue | 11 | 1,740 | 1,623 | 3,363 |
| Operating income* | (297) | 503 | 583 | 1,086 |
| Net financial income | (15) | (118) | (62) | (180) |
| Income tax | 0 | (58) | (22) | (80) |
| Net income from operations sold or held for sale | **826** | 327 | 500 | **826** |
| Net income attributable to owners of the parent | 550 | | | |
| Minority interests | (37) | | | |

** Operating income from operations classified under IFRS 5 is after neutralization of amortization, depreciation and impairment.*

### 2.2.3 Definition of financial indicators

> Operating working capital requirement (Operating WCR)

Operating WCR represents all of the current assets and liabilities related directly to operations. It includes the following items:

- inventories and work-in-process,
- trade accounts receivable and related accounts,
- advances paid,
- other accounts receivable, accrued income and prepaid expenses,
- minus: trade accounts payable and related accounts, trade advances and prepayments received (excluding interest-bearing advances), other operating liabilities, accrued expenses, and deferred income.

Note: Operating WCR does not include non-operating receivables and payables such as income tax liabilities, amounts receivable on the sale of non-current assets, and liabilities in respect of the purchase of non-current assets.

> Backlog

The backlog is valued based on economic conditions at the end of the period. It includes firm orders and excludes unconfirmed options. Orders in hedged foreign currencies are valued at the rate hedged. Non-hedged orders are valued at the rate in effect on the last day of the period. The backlog reported for long-term contracts recorded under the percentage of completion method and partially performed as of the reporting date is equal to the difference between (i) the projected sales revenue from the contract at completion and (ii) the sales revenue already recognized for this particular contract. Accordingly, the backlog takes into account escalation and price revision assumptions used by the group to determine the projected revenue at completion.

## > Net cash flow from company operations

Net cash flow from company operations is equal to the sum of the following items:

- operating cash flow;
- cash flow from end-of-lifecycle operations;
- change in non-operating receivables and liabilities;
- financial income;
- tax on financial income;
- dividends paid to minority shareholders of consolidated subsidiaries;
- net cash flow from discontinued operations and cash flow from the disposal of those operations;
- acquisitions and disposals of current financial assets not classified in cash or cash equivalents;
- financing of joint ventures and associates through shareholder advances, long-term loans and capital increases.

## > Operating cash flow (OCF)

Operating cash flow (OCF) represents the cash flow generated by operating activities before income tax. It is equal to the sum of the following items:

- EBITDA;
- plus losses or minus gains included in operating income on sales of property, plant and equipment (PP&E) and intangible assets;
- plus the decrease or minus the increase in operating working capital requirement between the beginning and the end of the period (excluding reclassifications, currency translation adjustments and changes in consolidation scope);
- minus acquisitions of property, plant and equipment and intangible assets, net of changes in accounts payable related to fixed assets;
- plus sales of PPE and intangible assets included in operating income, net of changes in receivables on the sale of fixed assets;
- plus prepayments received from customers during the period on non-current assets;
- plus acquisitions (or disposals) of consolidated companies (excluding equity associates), net of the cash acquired.

## > Net debt

Net debt is defined as the sum of current and non-current borrowings, minus cash, cash equivalents and bank deposits constituted for margin calls for derivatives (“collateral”).

## > Earnings before interest, taxes, depreciation and amortization (EBITDA)

EBITDA is equal to operating income after depreciation, depletion, amortization and provisions, net of reversals. EBITDA is restated to exclude the cost of end-of-lifecycle operations performed in nuclear facilities during the year (facility dismantling, waste retrieval and packaging). It should be noted that the cash flows linked to end-of-lifecycle operations are presented separately.

> Cash flows from end-of-lifecycle operations

This indicator encompasses all of the cash flows linked to end-of-lifecycle operations and to assets earmarked to cover those operations. It is equal to the sum of the following items:

- income from the portfolio of earmarked assets;
- cash from the sale of earmarked assets;
- minus acquisitions of earmarked assets;
- minus cash spent during the year on end-of-lifecycle operations;
- full and final payments received for facility dismantling;
- minus full and final payments paid for facility dismantling.

## 2.3 Summary data by business segment

Previously, AREVA presented its operating segment information by operating Business Group, which corresponded to the level at which performance was examined by the group's management bodies, in accordance with the requirements of IFRS 8.

AREVA also reported data by geographic area. AREVA's consolidated revenue was allocated among the five regions based on the destination of goods and services: France, Europe excluding France, North and South America, Asia-Pacific, Africa and the Middle East.

For all reporting periods, income items from operations sold, discontinued or held for sale are presented in the statement of income on a separate line, "Net income from operations sold, discontinued for held for sale". Balance sheet items from operations and assets held for sale are presented on a separate line of the statement of financial position under "Assets of operations held for sale" on the assets side and under "Liabilities of operations held for sell" on the liabilities side.

Inasmuch as the continuing operations do not constitute operating segments and are located principally in France, AREVA does not report operating segment information for the reported periods.

## 2.4 Statement of Income

| *(in millions of euros)* | **H1 2017** | **H1 2016(*)** | **2016(**)** |
|---|---|---|---|
| **Revenue** | **11** | **2** | **10** |
| Gross margin | (273) | (96) | (408) |
| Research and development expenses | (1) | (8) | (13) |
| Marketing and sales expenses | (1) | 0 | (9) |
| General and administrative expenses | (12) | (71) | (126) |
| Other operating expenses | (27) | (26) | (80) |
| Other operating income | 18 | 199 | 195 |
| **Operating income** | **(297)** | **(2)** | **(442)** |
| Net financial income | (15) | (38) | (68) |
| Income tax | 0 | 0 | 118 |
| Share in net income of joint ventures and associates | (1) | (14) | (14) |
| Net income after tax from continuing operations | (313) | (54) | (405) |
| Net income from operations sold or held for sale | 826 | (133) | (348) |
| Net income for the period | 513 | (187) | (753) |
| Minority interests | (37) | (67) | (105) |
| **Net income attributable to owners of the parent** | **550** | **(120)** | **(648)** |
| Comprehensive income | 675 | (523) | (760) |

*(*) Adjusted for application of IFRS 5.*

*(**) Pursuant to IAS 8, data for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to data reported for the previous year.*

### 2.4.1 Revenue

| *(in millions of euros)* | **H1 2017** | **H1 2016(*)** | ***Change 2017/2016*** |
|---|---|---|---|
| **Consolidated revenue** | **11** | **2** | ***+ 9*** |

*(*) Adjusted for application of IFRS 5.*

Revenue from continuing operations amounted to 11 million euros at June 30, 2017, compared with 2 million euros at June 30, 2016. This growth is due to the charge-back of services rendered by AREVA SA (rent, brand royalties) to recently sold entities of the group. In addition, in accordance with the provisions of paragraph 32 of IAS 11, AREVA stopped recognizing the revenue and costs of the OL3 contract as a function of its percentage of completion. Revenue recognized for the OL3 contract has currently been stabilized at the level reached in the first half of 2013.

### 2.4.2 Gross margin

| *(in millions of euros)* | **H1 2017** | **H1 2016(*)** | ***Change 2017/2016*** |
|---|---|---|---|
| Gross margin | (273) | (96) | *- 176* |

*(*) Adjusted for application of IFRS 5.*

The group's gross margin (restated for operations held for sale) was down, at -273 million euros in the first half of 2017 compared with -96 million euros in the first half of 2016. Revenue is now limited to charge-backs of services rendered to operations held for sale and does not cover the company's operating expenses with respect to the execution of the OL3 project, for which the loss at completion was increased by 35 million euros in the first half, nor does it cover losses on a limited number of projects in the Bioenergy operations, in the process of extinguishment. In addition, gross margin for the period was impacted by an additional provision of approximately 200 million euros related to (i) costs, risks, disputes and guarantees pertaining to the continuing operations; and (ii) potential warranty claims in connection with the restructuring operations, to which AREVA SA is potentially exposed.

### 2.4.3 Research and Development

Research and development expenses are capitalized if they meet the capitalization criteria established by IAS 38 and are recognized as Research and Development expenses if they do not.

In the income statement, Research and Development expenses appear below gross margin and represent non-capitalizable expenses incurred exclusively by the group; expenses related to programs funded wholly or partially by customers, together with projects carried out in partnerships where AREVA has commercial rights of use of the results, are recognized in the cost of sales.

| *(in millions of euros)* | **H1 2017** | **% of sales** | **H1 2016** | **% of sales** |
|---|---|---|---|---|
| **Research and Development recognized as expenses under gross margin, after RTC[1] (a)** | **1** | **13.9%** | **8** | **460.8%** |
| Of which expenses for mineral exploration and mining studies (b) | 0 | | 0 | |
| **Research and Development recognized as expenses under gross margin, excluding expenses for mineral exploration and mining studies, after RTC[1] (b)-(a)** | **1** | **13.9%** | **8** | **460.8%** |
| RTC[1] | 0 | | 0 | |
| **Research and Development recognized as expenses under gross margin, excluding expenses for mineral exploration and mining studies, before RTC[1]** | **1** | **12.0%** | **8** | **466.7%** |
| Capitalized Research and Development costs | 0 | 0.0% | 0 | 0.0% |
| **Total** | **1** | **12.0%** | **8** | **466.7%** |
| Number of patents | 7 | - | - | - |

*(1) Research tax credit*

In view of the application of IFRS 5 and of the classification of the group's main subsidiaries in "operations sold, discontinued or held for sale", reported Research and Development expenses amounted to 1 million euros and were down in relation to the restated amount of 2016.

Research and Development costs recognized as expenses under the gross margin of the group's combined subsidiaries (continuing operations and operations held for sale) represented a cumulative total of 59 million euros in the first half of 2017, compared with 87 million euros in the first half of 2016. Mineral exploration costs amounted to 18 million euros in the first half of 2017, compared with 19 million euros in the first half of 2016. The Research Tax Credit came to 29 million euros and was stable compared with 2016. In addition, 13 million euros in R&D costs were capitalized in the first half of 2017 (14 million euros in the first half of 2016).

### 2.4.4 Marketing and sales, general and administrative expenses

Marketing and sales, general and administrative expenses totaled 13 million euros in the first half of 2017, down sharply compared with the first half of 2016. The steep decline is attributable to the transfer of costs related to the NewCo and New NP consolidation scopes, paid in 2016 by AREVA SA under existing agreements and now recorded directly in the entities which make up those two consolidation scopes.

### 2.4.5 Other operating income and expenses

Other operating income and expenses represented a net expense of 9 million euros in the first half of 2017, compared with net income of 173 million euros in the first half of 2016. At June 30, 2016, operating income had been impacted in particular by the cancellation of a 180-million-euro provision constituted in 2015, in connection with the change in the group's restructuring plan.

### 2.4.6 Operating income

Taking into account the items described above, the group had an operating loss of 297 million euros in the first half of 2017, compared with an operating loss of 2 million euros in the first half of 2016. At June 30, 2017, operating income included an additional loss at completion of 34 million euros for the Olkiluoto 3 EPR and an additional provision of approximately 200 million euros related to costs, risks, disputes and guarantees pertaining to the continuing operations or to the restructuring operations.

### 2.4.7 Net financial income

| *(in millions of euros)* | **H1 2017** | **H1 2016(*)** |
|---|---|---|
| **Net borrowing costs [(expense) / income]** | **(8)** | **(30)** |
| **Other financial income and expenses** | **(7)** | **(9)** |
| **Net financial income** | **(15)** | **(38)** |

*(*) Adjusted for application of IFRS 5.*

Net financial income totaled -15 million euros, compared with -38 million euros in the first half of 2016, due to the costs for setting up the bridge loan at the beginning of last year.

### 2.4.8 Income tax

The tax expense was nil in the first half of 2017, as in the first half of 2016. No income tax expense was recognized in the first half of 2017. In view of the taxable income forecasts, the projected effective tax rate for the consolidated AREVA SA group does not include any valuation of deferred tax assets which will be generated in 2017. This position is thus reflected in the tax expense of the group recognized at June 30, 2017.

### 2.4.9 Share in net income of joint ventures and associates

| *(in millions of euros)* | **H1 2017** | **H1 2016(*)** | **2016(**)** |
|---|---|---|---|
| Joint Ventures | (2) | (14) | (15) |
| Associates | 1 | 1 | 1 |
| **Total** | **(1)** | **(14)** | **(14)** |

*(*) Adjusted for application of IFRS 5.*
*(**) Pursuant to IAS 8, the financial statements for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to data reported for the previous year.*

The share in net income of joint ventures and associates was -1 million euros in the first half of 2017, compared with -14 million euros in the first half of 2016.

### 2.4.10 Minority interests

The share in consolidated net income attributable to minority interests was -37 million euros in the first half of 2017, an increase in relation to the first half of 2016, when it was -67 million euros.

### 2.4.11 Net income attributable to owners of the parent

Net income from operations sold, discontinued or held for sale, which encompasses net income from NewCo, New NP, AREVA TA, Canberra, and the Wind Energy and Solar Energy operations, amounted to 826 million euros in the first half of 2017, compared with -133 million euros in the first half of 2016. At June 30, 2017, it benefitted in particular from:

- income from asset disposals occurring in 2017 in the amount of +319 million euros;
- the neutralization of amortization, depreciation and impairment for the full half-year period in the net amount after tax of +441 million euros.

Net income attributable to equity owners of the parent amounted to 550 million euros in the first half of 2017, compared with a net loss attributable to equity owners of the parent of 120 million euros in the first half of 2016, with the change explained by the items mentioned above.

### 2.4.12 Comprehensive income attributable to owners of the parent

Comprehensive income attributable to owners of the parent was 718 million euros in the first half of 2017, compared with a loss of 494 million euros in the first half of 2016. The change is mainly due to the increase in net income attributable to owners of the parent (see Note 2.4.11) and to an improvement in other items of comprehensive income.

## 2.5 Cash flow and change in net debt

### 2.5.1 Change in net debt

| *(in millions of euros)* | **H1 2017** |
|---|---|
| **Net debt at beginning of period (December 31, 2016)** | **(1,473)** |
| Operating cash flow | (314) |
| Cash flow from financing activities | (23) |
| Net cash flow of operations sold, discontinued or held for sale | (379) |
| Income tax | 127 |
| Other items | 96 |
| **At June 30, 2017** | |
| **Net debt at end of period** | **(1,971)** |
| **Change in net debt over the first half of 2017** | **(498)** |

The group had net borrowings of 1.971 billion euros at June 30, 2017, compared with 1.473 billion euros at December 31, 2016. The 498-million-euro increase in net borrowings is mainly due to net cash flow from company operations in the amount of -474 million euros, consisting of:

- operating cash flow of -314 million euros;
- net cash flow from operations sold, discontinued or held for sale (notably NewCo, New NP, AREVA TA and Solar Energy) in the amount of -379 million euros, including in particular borrowing costs and disbursements for NewCo taxes;
- cash outflows connected with net borrowing costs in the amount of -23 million euros;
- tax receipts in the amount of +127 million euros corresponding to 2017 tax prepayments made in the first half by the profit-making subsidiaries to AREVA SA as the head of the group's tax consolidation, and to the liquidation of the 2016 taxes of the consolidated subsidiaries.

### 2.5.2 Statement of operating cash flows

| *(in millions of euros)* | **H1 2017** | **H1 2016(*)** |
|---|---|---|
| **EBITDA** | **(248)** | **(371)** |
| *Percentage of revenue* | *ns* | *ns* |
| Gains (losses) on disposals of operating assets | 0 | 0 |
| Change in operating WCR | (66) | 91 |
| Net operating CAPEX | 0 | (8) |
| **Operating cash flow** | **(314)** | **(293)** |

*(*) Adjusted for application of IFRS 5.*

Operating cash flow from continuing operations totaled -314 million euros at June 30, 2017, compared with -293 million euros one year earlier. This decrease is mainly due to a more favorable change in WCR for the OL3 project for the first half of 2016 due to customer payments received over that period.

## 2.6 Balance sheet items

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016(*)** |
|---|---|---|
| **Assets** | **29,317** | **28,729** |
| Net goodwill | 0 | 0 |
| Property, plant and equipment (PP&E) and intangible assets | 18 | 67 |
| Operating working capital requirement – assets | 438 | 408 |
| Net cash | 1,421 | 686 |
| Deferred tax assets | 3 | 1 |
| Other assets | 385 | 536 |
| Assets of operations held for sale | 27,052 | 27,032 |
| **Shareholders' equity and liabilities** | **29,317** | **28,729** |
| Equity attributable to owners of the parent | (2,761) | (3,377) |
| Employee benefits | 4 | 4 |
| Other current and non-current provisions | 1,927 | 2,060 |
| Operating working capital requirement – liabilities | 419 | 517 |
| Borrowings | 3,406 | 2,182 |
| Deferred tax liabilities | 0 | 0 |
| Other liabilities | 2 | 4 |
| Liabilities of operations held for sale | 26,321 | 27,341 |
| **Total – Condensed balance sheet** | **29,317** | **28,729** |

*(*) Pursuant to IAS 8, data for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to data reported for the previous year.*

### 2.6.1 Cash position and net borrowings

At June 30, 2017, AREVA's consolidated cash position was 1.421 billion euros; it benefitted in the first half of 2017 from the payment of two shareholder advances in the total amount of 2 billion euros.

In addition, current borrowings for AREVA's continuing operations amounted to 3.342 billion euros, consisting mainly of the above-mentioned shareholder advances in the amount of 2 billion euros, repaid by offsetting the payable with a capital increase in the same amount reserved for the French State, which occurred on July 12, and the syndicated line of credit of 1.25 billion euros repayable in January 2018.

The group had net borrowings of 1.971 billion euros at June 30, 2017, compared with 1.473 million euros at December 31, 2016. The 498-million-euro increase in net borrowings corresponds mainly to net cash flow from company operations in the amount of -474 million euros, explained in section 2.5.1.

### 2.6.2 Equity

Equity attributable to owners of the parent went from -3.367 billion euros at December 31, 2016 to -2.653 billion euros at June 30, 2017.

### 2.6.3 Operating working capital requirement

AREVA's operating working capital requirement had a surplus position of 19 million euros at June 30, 2017, compared with -109 million euros at December 31, 2016.

### 2.6.4 Assets and provisions for end-of-lifecycle operations

The majority of end-of-lifecycle operations concern operations included in the consolidation scope of New AREVA Holding (Mining, Chemistry-Enrichment, Back End) and, to a lesser extent, AREVA NP. At December 31, 2016 and June 30, 2017, the flows relating to these operations were recognized on specific lines of the statement of income, the statement of cash flows and the statement of financial position devoted to "Operations sold, discontinued or held for sale".

The change in the balance sheet situation between December 31, 2016 and June 30, 2017 concerning the end-of-lifecycle assets and liabilities of operations sold, discontinued or held for sale is summarized below.

Provisions for end-of-lifecycle operations at June 30, 2017 totaled 7.792 billion euros, compared with 7.682 billion euros at December 31, 2016.

The assets related to these end-of-lifecycle operations totaled 6.382 billion euros at June 30, 2017, compared with 6.192 billion euros at December 31, 2016.

At June 30, 2017, the coverage ratio for the scope subject to the French law of June 28, 2006 was 89%, as it was at December 31, 2016.

The nature of the commitments and the calculation of the provision are presented in Note 8 to the consolidated financial statements.

### 2.6.5 Other provisions and employee benefits

Other provisions and employee benefits totaled 1.931 billion euros at June 30, 2017, a slight decrease in relation to December 31, 2016.

The description of other provisions may be found in Note 13 to the consolidated financial statements.

## 2.7 Business review

### 2.7.1 Review of AREVA SA's operations

AREVA's operations may be summarized as the management of the Olkiluoto 3 EPR contract in Finland (OL3), the remaining Bioenergy operations, the recognition of costs and provisions for risks and expenses related to the group's restructuring, and AREVA's bank financing.

In the first half of 2017, construction of the Olkiluoto 3 EPR made progress, in accordance with the revised schedule of August 2014. On July 1, the OL3 project teams met a major milestone in connection with the commissioning of the EPR reactor by successfully completing cold functional testing.

### 2.7.2 Review of New AREVA Holding's operations ("NewCo")

NewCo combines the nuclear fuel cycle operations lodged within the subsidiaries AREVA Mines and AREVA NC: Mining, Front End (Chemistry and Enrichment) and Back End (Recycling, Logistics, Dismantling and Services).

Consequently, the financial aggregates presented below are given for information purposes only and do not contribute to the group's consolidated aggregates.

| *(in millions of euros)* | **H1 2017** | **H1 2016** | **Change H1 2017 / H1 2016** |
|---|---|---|---|
| **Backlog** | **29,521** | **32,483** | ***-€2,962 m*** |
| - Mining | 8,647 | 9,421 | *-€774 m* |
| - Front End | 9,964 | 11,507 | *-€1,543 m* |
| - Back End | 10,904 | 11,552 | *-€648 m* |
| - Corporate and other operations* | 6 | 4 | *+€3 m* |
| **Revenue** | **1,740** | **1,929** | ***-€189 m*** |
| - Mining | 638 | 705 | *-€67 m* |
| - Front End | 329 | 384 | *-€55 m* |
| - Back End | 765 | 832 | *-€67 m* |
| - Corporate and other operations* | 7 | 7 | *+€1 m* |
| **Operating income**** | **503** | **88** | ***+€415 m*** |
| - Mining | 128 | 21 | *+€107 m* |
| - Front End | (19) | (44) | *+€24 m* |
| - Back End | 20 | 93 | *-€73 m* |
| - Corporate and other operations* | 373 | 17 | *+€357 m* |
| **EBITDA** | **521** | **681** | ***-€160 m*** |
| - Mining | 341 | 346 | *-€4 m* |
| - Front End | 139 | 94 | *+€44 m* |
| - Back End | 131 | 237 | *-€106 m* |
| - Corporate and other operations* | (90) | 4 | *-€94 m* |
| **Operating cash flow** | **(41)** | **167** | ***-€209 m*** |
| - Mining | 216 | 206 | *+€10 m* |
| - Front End | (89) | (130) | *+€41 m* |
| - Back End | (14) | 117 | *-€131 m* |
| - Corporate and other operations* | (154) | (26) | *-€128 m* |

* Includes in particular the Corporate, AREVA Med and AREVA Projects operations.

** After neutralization of amortization, depreciation and impairment for the first half of 2017.

NewCo's **backlog**, given here for information purposes only as it is no longer included in the backlog of continuing operations, amounted to 29.5 billion euros at June 30, 2017, a decrease in relation to December 31, 2016 (31.8 billion euros). At June 30, 2017, it did not include orders related to the Hinkley Point C project (HPC) representing 1.5 billion euros. Those orders will be included in backlog once the conditions described in section 2.7.2 of this document have been satisfied.

- The backlog for the Mining operations amounted to 8.6 billion euros at June 30, 2017 (compared with 9.5 billion euros at December 31, 2016).
- In the Front End (Chemistry and Enrichment), the backlog totaled 10 billion euros at June 30, 2017 (compared with 10.9 billion euros at the end of 2016).
- The backlog for the Back End (Recycling, Logistics, Dismantling & Services, International Projects) was 10.9 billion euros (compared with 11.4 billion euros at December 31, 2016).

The **order uptake** for NewCo amounted to 0.9 billion euros over the period and mainly concerned contracts signed with Asian and American customers.

NewCo's **revenue**, which is not consolidated given NewCo's classification in operations sold, discontinued or held for sale, reached 1.740 billion euros at June 30, 2017, a decrease in relation to the first half of 2016 (1.929 billion euros, i.e. -9.8%).

- Mining revenue totaled 638 million euros, a decrease of 9.5% compared with the first half of 2016 (-11.1% like for like). Foreign exchange had a positive impact of 13 million euros, only partially offsetting the downturn in volumes sold over the period (-7.6%) as well as the unfavorable price impact of spot market sales indicators over the period.
- Front End revenue totaled 329 million euros, a decrease of 14.4% compared with June 30, 2016 (-12.3% like for like). This change, which was expected, is principally due to a drop in volumes sold of $U_3O_8$ / $UF_6$ compared with the same period in the previous year. Foreign exchange had a negative impact of 9 million euros over the period.
- Back End revenue amounted to 765 million euros, a decrease of 7.2% like for like compared with the first half of 2016. Foreign exchange had a positive impact of 2 million euros over the period, and changes in consolidation scope had a negative impact of 10 million euros. This change is due to:
  - the effect of an unfavorable contract mix and, to a lesser extent, a production delay at the La Hague site in the Recycling operations;
  - partly offset by a high volume of business in the United States in logistics.
- Revenue for "Corporate and other operations" was stable compared with June 30, 2016, amounting to 7 million euros at June 30, 2017.

NewCo's **operating income** contributing to the AREVA group's net income amounted to 503 million euros at June 30, 2017, compared with 88 million euros at June 30, 2016. In 2017, it benefitted from the neutralization of amortization, depreciation and impairment for the full half year in the total amount of 534 million euros, excluding tax, in accordance with NewCo's IFRS 5 classification. This classification was made on December 15, 2016 and, in this regard, had no impact on operating income for the first half of 2016.

| *In millions of euros* | H1 2017 | H1 2016 | *Change*<br>***H1 2017 / H1 2016*** |
|---|---|---|---|
| **NewCo operating income contributing to AREVA SA net income** | 503 | 88 | *+€415 m* |
| Neutralization of amortization and depreciation | (309) | 0 | *-€309 m* |
| Neutralization of impairment | (225) | 0 | *-€225 m* |
| **Restated operating income from the neutralization of amortization, depreciation and impairment** | **(31)** | **88** | **-€119 m** |

Within NewCo's footprint, once the amortization, depreciation and impairment had been reinstated, the operating loss at June 30, 2017 amounted to 31 million euros, broken down as follows:

- Operating income for the Mining operations totaled 128 million euros, compared with 21 million euros in the first half of 2016. It was impacted by impairment of 107 million euros for the Imouraren mine in Niger caused by the change in the euro-dollar exchange rate over the period. At June 30, 2016, operating income had been impacted by impairment of Imouraren and Trekkopje assets in the total amount of 203 million euros.
- The operating loss for the Front End was 19 million euros, compared with a loss of 44 million euros in the first half of 2016. It was impacted by:
  - impairment of the Comurhex II industrial asset in the first half of 2017 in the total amount of 118 million euros in connection with price reductions in the conversion market and the unfavorable change in the euro-dollar exchange rate over the period;
  - a 62-million-euro reduction in provisions for losses on contracts recognized in 2016 as a consequence of the reduction of projected contract costs arising from performance plan savings achieved to date and expected over the coming periods.
- The Back End recorded operating income of 20 million euros in the first half of 2017, a decrease of 73 million euros compared with the first half of 2016. It was penalized in the first half of 2017 by the unfavorable contract mix and by a production delay in the Recycling operations, partly offset by the positive effects of the performance plan.
- The operating loss for "Corporate and other operations" was 161 million euros at June 30, 2017, compared with operating income of 17 million euros at the same date in 2016, due to:
  - an 80-million-euro increase in a contingency for risks and uncertainties related to the dismantling of facilities in the front end of the cycle and to waste retrieval and packaging from them;
  - corporate expenses borne by NewCo in the first half of 2017, whereas in 2016 those expenses had been paid by AREVA SA;
  - differences on movements of provisions related to the social restructuring in progress.

NewCo's **EBITDA** for the first half of 2017 was down compared with the first half of 2016 (521 million euros at June 30, 2017 compared with 681 million euros).

- EBITDA for the Mining operations amounted to 341 million euros, essentially stable compared with the same period in 2016 (346 million euros, i.e. -1.3%), with the effects of the competitiveness plan offsetting the drop in volumes and prices.
- In the Front End operations, EBITDA came to 139 million euros, compared with 94 million euros in the first half of 2016, an increase of 46.8%. This change is due to a more favorable contract execution schedule and to savings resulting from the competitiveness plan.

- The Back End recorded EBITDA of 131 million euros, a decrease of 106 million euros compared with the first half of 2016 (237 million euros) due to an unfavorable contract mix in the Recycling operations and to the catch-up effect in the first half of 2016 related to the signature of the treatment and recycling contract with EDF.
- EBITDA for Corporate and other operations was -90 million euros, compared with +4 million euros in the first half of 2016. This change over the period is explained in particular by:
  - expenses incurred for the Voluntary Departure Plan in France over the first half;
  - corporate expenses borne by NewCo in the first half of 2017, whereas in 2016 those expenses had been paid by AREVA SA.

**Operating cash flow** for NewCo, which is no longer recognized in reported operating cash flow, reached -41 million euros at June 30, 2017, a decrease of 209 million euros compared with the same date in 2016 (167 million euros at June 30, 2016). In addition to the explanations related to the change in EBITDA (see above), this reduction is due in particular to the increase in net CAPEX, which reached 310 million euros at June 30, 2017, compared with 253 million euros at June 30, 2016. In fact, the reduction of CAPEX on production recorded in Mining and the Front End was more than offset by the acquisition of minority interests in subsidiaries of the Tricastin platform which began at the end of 2016 and continued in 2017.

### 2.7.3 Revenue from other operations sold, discontinued or held for sale

This section presents the cumulative financial aggregates of New NP (AREVA NP operations held for sale to EDF and to strategic investors, excluding the OL3 contract and the means necessary to complete that project), AREVA TA (until March 29, 2017), Canberra (for the first six months of 2016), and Renewable Energies (excluding Bioenergy, which continues to be classified under continuing operations). Consequently, the financial aggregates presented below are given for information purposes only and do not contribute to the group's consolidated aggregates.

The **backlog** of other operations held for sale at June 30 amounted to 12.1 billion euros, compared with 13.1 billion euros at December 31, 2016. Orders related to the Hinkley Point C contract (HPC) in the total amount of 3.9 billion euros are not included in the backlog at June 30, 2017.

**Hinkley Point C contract**

The contract to manufacture two nuclear steam supply systems as well as safety and operational instrumentation and control systems for the HPC project (the “Contract” or the “NSSS Contract”) was signed by AREVA NP and NNB Generation Company (HPC) Limited (NNB) and took effect on September 29, 2016. The other HPC-related contracts within AREVA are conditioned on the NSSS Contract.

Once the NSSS Contract took effect, an agreement (the “NTP Agreement”) was issued on January 4, 2017 with NNB on the triggers of this contract and on a prepayment of 268 million euros; this prepayment was achieved on January 5, 2017.

The NTP Agreement specifies that the prepayment is conditioned on (i) approval by NNB's governance of an amendment to the NSSS Contract before September 29, 2017; (ii) implementation of a quality plan related to the primary components agreed between AREVA NP and NNB before September 30, 2017; and (iii) implementation of agreements resulting from the creation of Edvance before October 1, 2017.

Discussions between AREVA NP and NNB on amendments to be made to the Contract following the reorganization of the French nuclear industry and the creation of the EDVANCE Company continued to be underway at the end of June 2017, with the objective of being completed to support the operational startup of EDVANCE for the HPC project on October 1, 2017.

AREVA NP and NNB have committed to taking the necessary action to achieve the above-mentioned objectives as soon as possible.

In that context, AREVA NP is confident that these conditions will be fulfilled in the second half of 2017.

**Revenue** from other operations sold, discontinued or held for sale reached 1.623 billion euros at June 30, 2017, compared with 1.788 billion euros at the same date in 2016. This change is due to the negative impacts of consolidation scope related to the sale of Canberra in mid-2016 and to the sale of AREVA TA on March 29, 2017. AREVA NP’s revenue was practically stable over the period (-0.9%).

**Operating income** from other operations sold, discontinued or held for sale amounted to 583 million euros in the first half of 2017, compared with 157 million euros in the first half of 2016. This improvement is mainly due to the income on disposal from AREVA TA and from AREVA NP, for which operating income rose by 114 million euros to reach 213 million euros, in particular thanks to the effects of performance improvement activities as well as to reversals of previous provisions connected with restructuring, for which the final costs were not as high as initially anticipated.

At June 30, 2017, **EBITDA** for other operations sold, discontinued or held for sale was stable in relation to the same date in 2016 (101 million euros compared with 99 million euros in 2016).

**Operating cash flow** for other operations sold, discontinued or held for sale, which are no longer recognized in reported operating cash flow, came to 250 million euros at June 30, 2017, compared with 4 million euros at June 30, 2016. This change is due to the favorable variation in WCR of AREVA NP’s Large Projects operations, which benefit in particular from a prepayment received in connection with the Hinkley Point C contract.

## 2.8 Events subsequent to year end

There were no events subsequent to the end of the period other than those mentioned in Note 19 to the consolidated financial statements.

## 2.9 Financial outlook

The capital increase of 2 billion euros which occurred on July 12, 2017 and the sale of New NP to EDF planned to take place by the end of 2017 in the amount of approximately 2.5 billion euros (excluding potential earn-out provisions and price supplements) aim to enable the company to pay down its debt and to finance its future operations until the extinguishment of its commitments, in particular for the completion of the OL3 project, disputes and guarantees given on certain contracts.

AREVA has not identified items likely to call into question the completion of the New NP sale before the end of 2017. To secure the schedule for the transaction, AREVA is maintaining tight control of the selling process and of the fulfillment of the conditions precedent stipulated in the share purchase agreement.

Taken together, these items will ensure the continuity of operations.

In the event that the sale of New NP were to occur late in the year, AREVA SA secured a commitment from its banking partners on March 28, 2017 for senior secured bridge financing of 300 million euros, repayable on January 8, 2018.

In addition, if the combined risks and guarantees related to the continuing operations and guarantees given in connection with restructuring operations were to exceed available resources, AREVA holds an interest in New AREVA Holding whose value was a little more than 2 billion euros at June 30, 2017.

In view of AREVA SA’s loss of control of NewCo as a result of the NewCo capital increase reserved for the French State carried out on July 26, and in view of the plan to sell the majority control of New NP to EDF, the French State filed a draft public takeover bid on AREVA SA shares not held by the State directly or indirectly through the CEA, in accordance with article 236-6 of the general regulations of the Autorité des marchés financiers (AMF). The State is the beneficiary of contribution commitments that should enable it to hold more than 95% of the capital and voting rights of AREVA SA at the end of the public takeover bid and should then ask for the implementation of a compulsory withdrawal at the end of the public takeover bid. The price of the public takeover bid and of the compulsory withdrawal is identical to the issue price of the AREVA SA capital increase, i.e. 4.50 euros per share.

The draft public takeover bid and the compulsory withdrawal expected to follow it remain subject to AMF's review, whose notice of compliance is expected in the coming days.

# 3 Statutory auditors' report on the half-year financial information for the period January 1 to June 30, 2017

| **MAZARS** | **ERNST & YOUNG AUDIT** |
| --- | --- |
| 61, rue Henri Regnault | 1/2, place des Saisons |
| 92075 Paris La Défense Cedex | 92400 Courbevoie - Paris-La Défense Cedex, France |

**AREVA**

Société anonyme

Tour AREVA
1 place Jean Millier
92400 Courbevoie, France

**Statutory auditors' review report**
**on the first half-yearly financial information for 2017**

For the period January 1 to June 30, 2017

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on::

- the review of the accompanying condensed half-yearly consolidated financial statements of AREVA, for the period from 1 January to 30 June 2017; and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of your Board of directors. Our role is to express a conclusion on these financial statements based on our review

## I. Findings on the financial statements

We conducted our review in accordance with professional standards applicable in France.  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 professional standards applicable in France 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.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the following points set out in the notes to the condensed half-yearly consolidated financial statements:

- Note 1 and note 14 set out the Areva Group's liquidity situation and the information relating to the application of the going concern principle;
- Note 1 sets out the context of the closing, the continuation of the implementation of the Group's restructuring project and the quality issues impacting the plants of AREVA NP;
- Note 2 and note 3 which set out the accounting treatment and effects of the discontinued operations, in particular the transaction expected with EDF for the sale of New NP, and the entry of the French State into the capital of NewCo, leading to the loss of Areva SA's control;
- Note 13 which describes the reasons that led Areva to apply paragraph 32 of IAS 11 as from the second half of 2013 and the methods of recognition applicable to the contract to build the Olkiluoto 3 ("OL3") EPR reactor. In addition, this note specifies the conditions of completion of this contract, in particular for the end of construction and testing until the reactor is put into service and the uncertainties which remain as to the end of the project;
- Note 18 which describes disputes and contingent liabilities and in particular the arbitration related to the Olkiluoto 3 EPR power plant ("OL3") for which (i) an interim award was issued in July 2017 and (ii) the final award is expected in 2018;
- Note 8 which describes the procedures for revision of the provisions for end-of-life cycle operations and their sensitivity to the assumptions used in terms of technical processes, costs, outflows schedules, inflation and discount rates.

## II. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly financial statements.

Paris - La Défense,

July 27, 2017

The Statutory Auditors

*French original signed by:*

| MAZARS | | ERNST & YOUNG AUDIT | |
|---|---|---|---|
| Cédric Haaser | Jean-Louis Simon | Aymeric de La Morandière | Jean Bouquot |

# Condensed consolidated financial statements

# June 30, 2017

# Condensed consolidated financial statements

# AREVA

# June 30, 2017

## CONSOLIDATED STATEMENT OF INCOME

| *(in millions of euros)* | *Note* | 1st half 2017 | 1st half 2016* | Year 2016 (**) |
|---|---|---|---|---|
| **Revenue** | | **11** | **2** | **10** |
| Other income from operations | | 0 | 0 | 1 |
| Cost of sales | | (283) | (98) | (419) |
| **Gross margin** | | **(273)** | **(96)** | **(408)** |
| Research and development expenses | | (1) | (8) | (13) |
| Marketing and sales expenses | | (1) | 0 | (9) |
| General and administrative expenses | | (12) | (71) | (126) |
| Other operating expenses | | (27) | (26) | (80) |
| Other operating income | | 18 | 199 | 195 |
| **Operating income** | *4* | **(297)** | **(2)** | **(442)** |
| Share in net income of joint ventures and associates | *9* | (1) | (14) | (14) |
| **Operating income after share in net income of joint ventures and associates** | | **(298)** | **(16)** | **(456)** |
| Income from cash and cash equivalents | | 1 | 3 | 38 |
| Gross borrowing costs | | (9) | (33) | (111) |
| **Net borrowing costs** | | **(8)** | **(30)** | **(73)** |
| Other financial expenses | | (8) | (17) | (33) |
| Other financial income | | 1 | 8 | 38 |
| **Other financial income and expenses** | | **(7)** | **(9)** | **5** |
| **Net financial income** | *5* | **(15)** | **(38)** | **(68)** |
| **Income tax** | *6* | **0** | **0** | **118** |
| **Net income after tax from continuing operations** | | **(313)** | **(54)** | **(405)** |
| Net income after tax from operations sold, discontinued or held for sale | *3* | 826 | (133) | (348) |
| **Net income** | | **513** | **(187)** | **(753)** |
| Share attributable to the group: | | | | |
| Net income from continuing operations | | (313) | (54) | (405) |
| Net income from operations sold, discontinued or held for sale | | 863 | (66) | (243) |
| **Net income attributable to equity owners of the parent** | | **550** | **(120)** | **(648)** |
| Share attributable to minority interests: | | | | |
| Net income from continuing operations | | 0 | 0 | 0 |
| Net income from operations sold, discontinued or held for sale | | (37) | (67) | (105) |
| **Net income attributable to minority interests** | | **(37)** | **(67)** | **(105)** |
| Number of shares outstanding | | 383,204,852 | 383,204,852 | 383,204,852 |
| Average number of shares outstanding | | 383,204,852 | 383,204,852 | 383,204,852 |
| Average number of treasury shares | | 963,944 | 949,591 | 956,422 |
| Average number of shares outstanding, excluding treasury shares | | 382,240,908 | 382,255,261 | 382,248,430 |
| Earnings per share from continuing operations (in euros) | | (0.82) | (0.14) | (1.06) |
| Basic earnings per share | | 1.44 | (0.31) | (1.70) |
| Net income attributable to owners of the parent per diluted share (1) | | 1.44 | (0.31) | (1.70) |

(1) AREVA has not issued any instruments with a dilutive impact on share capital

*(*) Pursuant to IFRS 5, the first half 2016 financial statements were restated in relation to the data reported for the previous year. The impacts of these restatements are detailed in Note 20.*

*(**) Pursuant to IAS 8, the financial statements for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to the data reported for the previous year (see Notes 2 and 21).*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in millions of euros)* | 1st half 2017 | 1st half 2016* | Year 2016 (**) |
|---|---|---|---|
| **Net income** | **513** | **(187)** | **(753)** |
| **Comprehensive income items not recyclable through profit and loss** | **83** | **(152)** | **(94)** |
| Actuarial gains and losses on the employee benefits of consolidated companies | 2 | 2 | 3 |
| Income tax related to non-recyclable items | (0) | 0 | (0) |
| Share in other non-recyclable items of comprehensive income from joint ventures and associates, net of tax | 0 | 0 | |
| Non-recyclable items related to operations sold, discontinued or held for sale, net of tax | 81 | (154) | (96) |
| **Comprehensive income items recyclable through profit and loss** | **79** | **(184)** | **88** |
| Currency translation adjustments of consolidated companies | 0 | | |
| Change in value of available-for-sale financial assets | 0 | 0 | |
| Change in value of cash flow hedges | 0 | 0 | |
| Income tax related to recyclable items | (0) | 0 | |
| Share in other recyclable items of comprehensive income from joint ventures and associates, net of tax | 0 | | |
| Recyclable items related to operations sold, discontinued or held for sale, net of tax | 79 | (184) | 88 |
| **Total other items of comprehensive income (net of income tax)** | **162** | **(336)** | **(6)** |
| **Comprehensive income** | **675** | **(523)** | **(760)** |
| - Attributable to equity owners of the parent | 718 | (494) | (704) |
| - Attributable to minority interests | (43) | (29) | (56) |

*(*) Pursuant to IFRS 5, the first half 2016 financial statements were restated in relation to the data reported for the previous year. The impacts of these restatements are detailed in Note 20.*
*(**) Pursuant to IAS 8, the financial statements for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to the data reported for the previous year (see Notes 2 and 21).*

## ASSETS

| *(in millions of euros)* | ***Note*** | **June 30, 2017** | **December 31, 2016** |
|---|---|---|---|
| **Non-current assets** | | **242** | **312** |
| Goodwill on consolidated companies | | 0 | 0 |
| Intangible assets | ***7*** | 1 | 42 |
| Property, plant and equipment | ***7*** | 17 | 25 |
| Investments in joint ventures and associates | ***9*** | 9 | 10 |
| Other non-current assets | ***10*** | 212 | 234 |
| Deferred tax assets | ***6*** | 3 | 1 |
| **Current assets** | | **29,075** | **28,417** |
| Inventories and work-in-process | | 5 | 2 |
| Trade accounts receivable and related accounts | | 157 | 154 |
| Other operating receivables | | 276 | 252 |
| Current tax assets | | 23 | 7 |
| Other non-operating receivables | | 6 | 142 |
| Cash and cash equivalents | ***11*** | 1,421 | 686 |
| Other current financial assets | | 135 | 143 |
| Assets and operations held for sale | ***3*** | 27,052 | 27,032 |
| **Total assets** | | **29,317** | **28,729** |

## LIABILITIES AND EQUITY

| *(in millions of euros)* | ***Note*** | **June 30, 2017** | **December 31, 2016 (*)** |
|---|---|---|---|
| **Equity and minority interests (1)** | | **(2,761)** | **(3,377)** |
| Capital | | 96 | 1,456 |
| Consolidated premiums and reserves | | (2,687) | (4,594) |
| Actuarial gains and losses on employee benefits | | (304) | (387) |
| Deferred unrealized gains and losses on financial instruments | | 315 | 93 |
| Currency translation reserves | | (73) | 64 |
| **Equity attributable to owners of the parent** | | **(2,653)** | **(3,367)** |
| Minority interests | | (108) | (10) |
| **Non-current liabilities** | | **68** | **1,354** |
| Employee benefits | ***12*** | 4 | 4 |
| Other non-current provisions | ***13*** | - | - |
| Long-term borrowings | ***14*** | 64 | 1,351 |
| Deferred tax liabilities | ***6*** | 0 | 0 |
| **Current liabilities** | | **32,011** | **30,752** |
| Current provisions | ***13*** | 1,927 | 2,060 |
| Short-term borrowings | ***14*** | 3,342 | 831 |
| Advances and prepayments received | | 42 | 30 |
| Trade accounts payable and related accounts | | 227 | 265 |
| Other operating liabilities | | 150 | 222 |
| Current tax liabilities | | 0 | 1 |
| Other non-operating liabilities | | 2 | 3 |
| Liabilities and operations held for sale | ***3*** | 26,321 | 27,341 |
| **Total liabilities and equity** | | **29,317** | **28,729** |

(1) Including other items of total comprehensive income related to operations held for sale not recyclable to the statement of income in the amount of (250) million euros and recyclable to the statement of income in the amount of 162 million euros at June 30, 2017.
*(*) Pursuant to IAS 8, the financial statements for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to the data reported for the previous year (see Notes 2 and 21).*

## CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in millions of euros)* | 1st half 2017 | 1st half 2016* | Year 2016 (**) |
|---|---|---|---|
| **Net income for the period** | **513** | **(187)** | **(753)** |
| Less: income from operations sold, discontinued or held for sale | (826) | 133 | 348 |
| **Net income from continuing operations** | **(313)** | **(54)** | **(405)** |
| (Profit) / loss of joint ventures and associates | 1 | 14 | 14 |
| Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months | 3 | 26 | 6 |
| Goodwill impairment | 0 | | |
| Net increase in (reversal of) provisions | 41 | (387) | (278) |
| Net effect of unwinding of assets and provisions | 0 | | |
| Income tax expense (current and deferred) | 0 | | (118) |
| Net interest included in borrowing costs | 16 | 30 | 82 |
| Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value | 0 | 2 | 9 |
| Other non-cash items | (9) | 5 | (2) |
| Dividends from joint ventures and associates | 0 | 0 | |
| **Cash flow from operations before interest and taxes** | **(260)** | **(364)** | **(693)** |
| Net interest received (paid) | (6) | (8) | (73) |
| Income tax paid | 127 | 38 | 71 |
| **Cash flow from operations after interest and tax** | **(139)** | **(334)** | **(695)** |
| Change in working capital requirement | (65) | 79 | 100 |
| **NET CASH FROM OPERATING ACTIVITIES** | **(204)** | **(255)** | **(595)** |
| Investment in PP&E and intangible assets | 0 | (8) | (7) |
| Loans granted and acquisitions of non-current financial assets | (4) | (2) | (7) |
| Acquisitions of shares of consolidated companies, net of acquired cash | 0 | | |
| Disposals of PP&E and intangible assets | 0 | | |
| Loan repayments and disposals of non-current financial assets | 15 | 39 | 39 |
| Disposals of shares of consolidated companies, net of disposed cash | 60 | | |
| **NET CASH USED IN INVESTING ACTIVITIES** | **71** | **29** | **25** |
| Share issues in the parent company and share issues subscribed by minority shareholders in consolidated subsidiaries | | | |
| Treasury shares sold/(acquired) | | | |
| Transactions with minority interests | | | |
| Dividends paid to minority shareholders of consolidated companies | | | |
| Increase in borrowings | 2,178 | 2,409 | 2,776 |
| Decrease in borrowings | (2,407) | (357) | (1,451) |
| Change in other borrowings | (38) | (63) | (119) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(267)** | **1,989** | **1,207** |
| (Increase) decrease in securities recognized at fair value through profit and loss | | 0 | 0 |
| Impact of foreign exchange movements | | (1) | 2 |
| **Net cash from operations sold, discontinued or held for sale** | **1,192** | **(472)** | **(597)** |
| **CHANGE IN NET CASH** | **792** | **1,289** | **41** |
| **Net cash at the beginning of the year** | **786** | **745** | **745** |
| Cash at the end of the year | 1,421 | 2,058 | 686 |
| Less: short-term bank facilities and non-trade current accounts (credit balances) | (11) | (69) | (6) |
| Net cash from operations held for sale | 167 | 45 | 107 |
| **Net cash at the end of the year** | **1,578** | **2,034** | **786** |

** Pursuant to IFRS 5, the first half 2016 financial statements were restated in relation to the data reported for the previous year. The impacts of these restatements are detailed in Note 20.*

*(**) Pursuant to IAS 8, the financial statements for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to the data reported for the previous year (see Notes 2 and 21).*

**Net cash taken into account in establishing the Statement of Cash Flows consists of:**

- Cash and cash equivalents (see Note 11), which includes:
  - cash balances and non-trade current accounts, and
  - risk-free marketable securities initially maturing in less than three months, and money market funds;
- after deduction of bank facilities and non-trade current accounts included in short-term borrowings (see Note 14);
- net cash from operations held for sale (see Note 3).

## STATEMENT OF CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

| *(in millions of euros)* | Number of shares outstanding | Capital | Premiums and reserves | Actuarial gains and losses on employee benefits | Deferred unrealized gains and losses on financial instruments | Currency translation reserves | **Equity attributable to owners of the parent** | Minority interests | **Total equity and minority interests** |
|---|---|---|---|---|---|---|---|---|---|
| **January 1, 2016** | **382,271,254** | **1,456** | **(3,797)** | **(293)** | **166** | **(48)** | **(2,516)** | **235** | **(2,281)** |
| First half 2016 income | | | (120) | | | | (120) | (67) | (187) |
| Other items of comprehensive income | | | | (152) | (249) | 27 | (374) | 38 | (336) |
| **Comprehensive income** | | | **(120)** | **(152)** | **(249)** | **27** | **(494)** | **(29)** | **(523)** |
| **Dividends paid *** | | | | | | | | (110) | (110) |
| Treasury shares sold (acquired) | (50,310) | | (0) | | | | (0) | - | (0) |
| Other transactions with shareholders | | | 0 | (0) | - | (0) | 0 | 1 | 2 |
| **June 30, 2016** | **382,220,944** | **1,456** | **(3,917)** | **(446)** | **(82)** | **(21)** | **(3,009)** | **98** | **(2,912)** |
| **January 1, 2017 (**)** | **382,234,336** | **1,456** | **(4,594)** | **(387)** | **93** | **64** | **(3,367)** | **(10)** | **(3,377)** |
| First half 2017 income | | | 550 | | | | 550 | (37) | 5137 |
| Other items of comprehensive income | | | | 83 | 222 | (137) | 169 | (7) | 162 |
| **Comprehensive income** | | | **550** | **83** | **222** | **(137)** | **718** | **(43)** | **675** |
| Dividends paid * | | | | | | | | (32) | (32) |
| Capital decrease and capitalization of reserves | | (1,360) | 1,360 | | | | | | |
| Treasury shares sold (acquired) | 7,042 | | 0 | | | | | | |
| Other transactions with shareholders | | | (4) | (0) | | (0) | (4) | (23) | (27) |
| **June 30, 2017** | **382,241,378** | **96** | **(2,687)** | **(304)** | **315** | **(73)** | **(2,653)** | **(108)** | **(2,761)** |

* Dividend paid per share (in euros):
- in 2016 for 2015: None.
- in 2017 for 2016: None.

*(**) Pursuant to IAS 8, the financial statements for the year ended December 31, 2016 were corrected for the error on provisions for employee benefits in relation to the data reported for the previous year (see Note 2).*

## INFORMATION BY SEGMENT

For all reporting periods, income items from operations sold, discontinued or held for sale are presented in the statement of income on a separate line, “Net income from operations sold, discontinued for held for sale”. Balance sheet items from operations and assets held for sale are presented on a separate line of the statement of financial position under “Assets from operations held for sale” on the assets side and under “Liabilities of operations held for sell” on the liabilities side.
Continuing operations do not constitute operating segments and are principally located in France. Consequently, AREVA does not report segment information for the reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2017

*All amounts are presented in millions of euros unless otherwise indicated. Certain totals may have rounding differences.*

*"AREVA" designates AREVA SA and all of the subsidiaries and interests held directly or indirectly.*

*"AREVA NP" designates AREVA NP SAS and all of the subsidiaries and interests held directly or indirectly.*
*"New NP" designates the target consolidation scope, as defined in the share purchase agreement signed with EDF.*

*"New AREVA Holding" designates New AREVA Holding SA and all of the subsidiaries and interests held directly or indirectly.*
*"NewCo" designates the target consolidation scope of the nuclear fuel cycle operations.*

## NOTE 1 - CONTEXT OF THE STATEMENTS AND HIGHLIGHTS OF THE PERIOD

The first half of 2017 and the beginning of the second half of 2017 were notably marked by the continued implementation of the group's restructuring plan, consistent with the strategic roadmap presented to the market on June 15, 2016.

### Capital increases of AREVA SA and NewCo in the total amount of 5 billion euros

#### European Commission consent for the French State's participation in the Restructuring Plan

On April 29, 2016, the French authorities notified the European Commission of a restructuring aid measure which takes the form of twin capital increases by the injection of public capital in the amount of 2 billion euros in AREVA and in the maximum amount of 2.5 billion euros in NewCo.

On January 10, 2017, following the European Commission's review of the file, it authorized the French State's participation in the capital increases of AREVA and NewCo, subject to:

- the European Commission's authorization of the merger between EDF and New NP;
- the finding of the Autorité de sûreté nucléaire ("ASN") on the results of the demonstration program concerning the problem of carbon segregation identified in parts of the EPR reactor vessel of the Flamanville 3 project, without calling into question the suitability for service of the vessel parts due to that segregation or, alternatively, a decision by EDF, duly notified to the group in view of the sale of New NP, to waive the condition precedent related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of that reactor's vessel.

Pending the fulfillment of these conditions, the European Commission also authorized rescue aid in the form of two advances from the shareholder current account of the French State, one for AREVA in the amount of 2 billion euros and the other for NewCo in the amount of 1.3 billion euros, to enable the group to meet its financial obligations until the effective completion of the AREVA and NewCo capital increases.

In the case in point, on May 29, 2017, the European Commission authorized the sale of the control of New NP to EDF. No commitment accompanied this authorization.

On June 28, 2017, the College of the nuclear safety authority ASN rendered its draft opinion on the results of the demonstration program concerning the carbon segregation issue identified in parts of the EPR reactor vessel of the Flamanville 3 project, indicating that "the mechanical characteristics of the pressure vessel bottom head and closure head are adequate with regard to the loadings to which these parts are subjected, including accident situations", and, on July 12, 2017, EDF notified AREVA of its decision to waive the condition precedent stipulated in the New NP share purchase agreement related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of that reactor's vessel.

All of the conditions set forth in connection with the decision of January 10 have thus been fulfilled.

**AREVA SA capital increase**

Following the acknowledgment of the fulfillment of the preconditions set by the European Commission in its decision of January 10, 2017, the AREVA SA Board of Directors, meeting on July 12, 2017, initiated the implementation and recorded the completion of the AREVA SA capital increase of 2 billion euros (exact amount: 1,999,999,998 euros) reserved for the State (by conversion into capital of the advance from the shareholder current account granted to AREVA SA in the first half of 2017).

The new shares were issued at the price of 4.50 euros per share with cancellation of the preemptive subscription right of AREVA SA's shareholders in favor of the French State, as approved by the shareholders during the General Meeting of Shareholders of February 3, 2017.

This capital increase had been authorized by the shareholders during the General Meeting of Shareholders of February 3, 2017, which had delegated authority for its implementation to the AREVA SA Board of Directors. The State now holds 92.22% of the capital and 91.69% of the voting rights of AREVA SA directly and indirectly via the CEA.

The purpose of this capital increase, which supplements the income from asset disposals in progress, is to enable AREVA SA to meet its cash requirements and in particular to ensure the successful completion of the OL3 project.

**Capital increase of New AREVA Holding SA and signature of the memorandum of investment and of the shareholders' agreement of JNFL and MHI related to the capital of New AREVA Holding (NewCo)**

Following the fulfillment of the European Commission's preconditions, mentioned above, the capital increase of New AREVA Holding is to take place in two stages:

- A capital increase reserved for the French State in the amount of 2.5 billion euros was carried out on July 26, 2017 and, simultaneously, the funds corresponding to the total amount of the future investment of JNFL and MHI, i.e. 500 million euros, were placed in trust;
- Subsequently, upon the sale of the majority control of New NP to EDF, planned for the end of 2017, the NewCo Board of Directors will implement the capital increase reserved for JNFL and MHI in the amount of 500 million euros, subject to the fulfillment of certain conditions (in particular certain customary conditions concerning the acquisition of an interest in the capital by MHI and JNFL).

In fact, on July 12, 2017, the NewCo Board of Directors, acknowledging the fulfillment of the preconditions set by the European Commission, decided to make use of the delegation of authority granted by the General Meeting of Shareholders on February 3, 2017 to implement the part of the NewCo capital increase reserved for the French State. That capital increase of 2.5 billion euros was implemented on July 26, 2017.

As from that date (and thus after June 30, 2017, the closing date for these half-year financial statements), AREVA SA holds a minority interest in NewCo of 44.44% of the share capital and voting rights, leading to AREVA's loss of control of NewCo. At the end of the second stage described above, this minority interest in NewCo should be 40%.

On March 20, 2017, the memorandum of investment and the shareholders' agreement related to New AREVA Holding signed by the Mitsubishi Heavy Industries (MHI) and Japan Nuclear Fuel Ltd (JNFL) industrial groups, the Commissioner of State shareholdings, and AREVA took effect retroactively to March 13, 2017.

The signature of these documents was expected following the announcement made on February 3, 2017 that agreement had been reached on the principal terms of the agreements for the acquisition of an equity stake in NewCo by JNFL and MHI at the level of 5% each and for a combined amount of 500 million euros.

The objective of the NewCo capital increases is to enable NewCo to meet its financial obligations and to develop, and to be in a position in the medium term to get market financing.

#### Public takeover bid on AREVA SA shares

In view of AREVA SA's loss of control of NewCo induced by the NewCo capital increase reserved for the French State carried out on July 26, and in view of the plan to sell the majority control of New NP to EDF, on July 13, 2017 the French State filed a draft public takeover bid on AREVA SA shares not held by the State directly or indirectly through the CEA, in accordance with article 236-6 of the general regulations of the Autorité des marchés financiers (AMF).

In addition, considering the State's equity interest in the capital of AREVA SA and the commitments for contribution to the bid already expressed, the French State has the intention of asking the AMF to implement a compulsory withdrawal procedure within three months of the bid's closing.

The price of the public takeover bid and, as applicable, of the compulsory withdrawal will be identical to the issue price of the AREVA SA capital increase, i.e. 4.50 euros per share.

Meeting on July 12, 2017, the AREVA SA Board of Directors, having perused (i) the conclusions of the report from the Finexsi firm, the independent expert appointed to express an opinion on the fairness of the price of the public takeover bid and, as applicable, of the compulsory withdrawal, and (ii) recommendations from the Ad Hoc Committee, and after having deliberated on them, considered that the draft public takeover bid, and as applicable the compulsory withdrawal which may follow it, were consistent with the interests of the group, of its employees and of its shareholders. It decided to issue a favorable opinion on the draft bid and to recommend that its shareholders contribute their shares to the bid.

The report from the Finexsi firm and the reasoned opinion of the Board of Directors are reproduced in AREVA SA's draft response note, which was published after the draft bid had been filed with the AMF on July 13, 2017.

The draft public takeover bid and the compulsory withdrawal which may follow it if applicable remain subject to AMF's review.

### Asset disposals

#### Sale of AREVA TA

On December 15, 2016, the company signed a share purchase agreement to sell all of its shares in AREVA TA to a consortium of buyers composed of the Agence des participations de l'État (APE, 50.32% of the capital), the Commissariat à l'énergie atomique et aux énergies alternatives (CEA, 20.32%), and DCNS (20.32%). EDF will keep its 9.03% interest in the capital.

The sale closed on March 29, 2017 after the employee representative bodies had been consulted and the ministerial orders related to the sale had been published. The income of 315 million euros from the sale was recognized under "Net income from operations held for sale".

In parallel, AREVA TA and AREVA NP signed a set of agreements dated March 28, 2017 stipulating:

- the withdrawal of AREVA NP from the joint venture whose purpose was to manage the definition and development phases of the RJH reactor, followed by its construction;
- the supply of services by AREVA NP (RJH project support, engineering studies, contract management, construction and testing management) to AREVA TA as a subcontractor as from May 2017.

#### Sale of the interest in Adwen

On September 14, 2016, after exercising its option to sell, AREVA sold its 50% interest in the Adwen joint venture to Gamesa on January 5, 2017. Adwen had been recognized as an asset held for sale at December 31, 2016.

#### Sale of Mainco

The company sold its subsidiary Mainco, which specializes in industrial logistics, to a French family-owned group on June 30, 2017.

## Performance plan

### Voluntary Departure Plan and changes in the group's workforce

At June 30, 2017, 2,058 departures were recorded in connection with the voluntary departure plans in France for the AREVA Mines, AREVA NC, AREVA NP, AREVA Business Support, SET and Eurodif Production companies. Across the group's footprint, the workforce has been reduced by approximately 4,800 people, all reasons combined, since January 1, 2015 and at constant consolidation scope (not including the impacts of asset disposals).

The AREVA group (consolidation scope) had a global workforce of 34,227 employees at June 30, 2017, compared with 41,847 employees at December 31, 2014, a reduction of approximately 18.2% representing 7,620 employees (including 2,795 employees related to the sales of the Canberra, Elta, AREVA TA and Mainco subsidiaries).

## Component manufacturing

### Testing program for the bottom and closure heads of the FA3 reactor vessel

Over the course of 2016, AREVA carried out a testing program on sacrificial parts to demonstrate that the bottom head and closure head of the Flamanville 3 reactor vessel had adequate tenacity, in accordance with the program validated by ASN in its letter of December 14, 2015, supplemented by its letter of September 26, 2016.

Throughout the conduct of this testing program, it was subject to the surveillance of the Notified Organization appointed by ASN. EDF was associated with these tests.

The final report was sent to ASN on December 16, 2016. It was reviewed by the latter together with the Institute for Radiation Protection and Nuclear Safety (IRSN) during the first half of 2017.

On June 28, ASN presented its findings concerning the tenacity of the upper and lower heads (closure and bottom heads) of the Flamanville EPR reactor vessel, and it published its draft opinion on July 10, 2017. This draft is subject to public consultation and comment until September 12, 2017, after which time ASN will render a final opinion, expected in October 2017.

On the basis of the technical analyses carried out, ASN considers that the mechanical characteristics of the pressure vessel bottom head and closure head are adequate with regard to the loadings to which these parts are subjected, including accident situations. However, the anomaly in the chemical composition of the steel entails a reduction in the margins with respect to the fast fracture risk. ASN therefore considers that EDF must implement additional periodic inspections to ensure that no flaws appear subsequently. ASN observes that such inspections can be performed on the vessel bottom head and therefore considers that they must be implemented.
However, the technical feasibility of similar inspections on the pressure vessel closure head is not established. ASN therefore considers that the use of the closure head must be limited in time. It notes that it would take about seven years to manufacture a new closure head, which could thus be available by the end of 2024. In these conditions, ASN considers that the current closure head shall not be operated beyond that date.

These findings are based, among other things, on the opinion of the ESPN standing group, which also indicates that the approach presented supports "the finding that the material presents mechanical properties of an adequate level to prevent the risks of concern and to ensure the suitability for service of the heads". The ESPN standing group points to the extent of the testing program carried out by AREVA NP and the prudence factors of the file.

These preliminary findings reinforce the assumptions used to define the positions adopted in the financial statements for the year ended December 31, 2016.

#### Carbon concentration of steam generator channel heads

The discovery of high concentrations of carbon in the channel heads of steam generators in EDF's fleet gave rise in 2016 to a significant program of inspections, testing and analysis to demonstrate the suitability for service of those components and to recommend strengthened manufacturing processes to ASN guaranteeing that these phenomena are under control. The channel heads concerned are mainly subcontracted parts and are not forged at Creusot. The analyses provided in 2016 had enabled the restart of the reactors in the EDF fleet.

In the first half of 2017, the analytical program was expanded and the number of samples, including in particular assessments of representative channel heads and of sacrificial ingots for JCFC and Creusot forgings, was increased.

#### Quality action plan concerning AREVA NP

The quality audit of the Creusot plant launched at the end of 2015 continued in 2017. Within this framework, all of the quality processes were reviewed and improvement measures are being implemented.
Concerning the Creusot plant, the quality audit was supplemented by exhaustive analysis of all manufacturing files of forged parts, with the objective of identifying and dealing with potential anomalies. Files presenting practices which are not in compliance with Creusot's quality assurance rules were identified. The anomalies found are the subject of a technical characterization submitted to a technical committee. This work is being carried out with the operators and customers concerned. The objective of this work is to validate the characterization performed and to deal with the anomalies by providing customers and the safety authorities with appropriate technical demonstration of the operability of the parts, as per the contractual and regulatory requirements. An information and discussion process has been implemented in which the nuclear safety authorities in particular are involved. All of the customers concerned by the anomalies identified have been informed by AREVA.
To date, the analyses have found that no observed anomaly compromises the mechanical integrity of the parts concerned. Additional analysis and testing are necessary in a few cases, the most important of which are as follows:

- The case of an equipment item delivered to the Fessenheim 2 power plant, where analyses were provided in response to ASN requests following the suspension of the test certificate of one of the steam generators. In this case, a demonstration report was sent to ASN and is in the process of being reviewed by the latter.
- The case of an anomaly on a steam generator delivered to the Flamanville 3 site, which was the subject of characterization for purposes of responding to requests from ASN. To that end, a demonstration report and testing on sacrificial parts are in progress. The results of the main program are expected in October 2017. Should an additional demonstration program be required, the results will be available at the end of 2017. At this time, this anomaly is deemed to be on the critical path of the schedule for the unit's startup.
- The case of a serious anomaly identified on an upper shell of a steam generator for the Gravelines 5 project. During the first half of 2017, AREVA NP confirmed its decision to replace the upper part of the steam generator.

In addition, the audit extended to the St Marcel and Jeumont sites was completed and found that no similar anomaly had been identified at those two sites as of the date of closing. Feedback from EDF confirming the end of the audits at the two sites is expected in September 2017.

#### Tensile testing performed at the Creusot laboratory

Following the deficiencies found in April 2015 concerning tensile test protocols at the Creusot laboratory, systematic verification was undertaken to demonstrate the parts concerned through analysis or by retesting on test specimens. The identified anomalies are being dealt with as deviations in coordination with the customers. A provision was set up in the financial statements for the year ended December 31, 2016 for the cost of repeating tensile tests and analysis.

In the first half of 2017, the costs at completion were increased to enable accelerated treatment in view of the priorities for 2017, in particular for FA3 and the 1300 MW steam generators. An additional 26 people on average will be mobilized in 2017 compared with the requirement initially contemplated.

#### Follow-up of the Creusot site inspection performed by the NRC

At ASN's invitation, the safety authorities of several countries performed an inspection of the Creusot site at the end of 2016 following the inspection protocol of the Multinational Design Evaluation Program (MDEP). Following that inspection, the U.S. Nuclear Regulatory Commission (NRC) published its report on February 22, 2017. In the report's conclusion, the NRC considers in particular that AREVA NP continues to meet the applicable requirements of the Code of the American Society of Mechanical Engineers (ASME).

ASME inspectors audited the St Marcel and Creusot sites on May 29 and June 2, 2017. The objective of the inspection/audit was to identify whether the manufacturer, St Marcel, and its forging company, Creusot, had complied with

ASME's requirements, and whether ASME's certification of St Marcel and Creusot should be maintained or suspended.
The ASME inspection team's recommendation, expected in February 2018, will be to maintain the ASME certification of the two sites and to set up regular reporting to ASME on the action and improvement plans, which are moreover recognized for their pertinence.
Particular attention will have to be paid to the resolution of the audit sheets and the reports on three components, and a presentation from our organizations to the appointed inspectors will have to be carried out in connection with the ASME recertification audits planned for November 2017.

**Concerning the above-mentioned quality subjects**

AREVA has not constituted a specific provision associated with potential liability-related actions for any of the quality subjects. In fact, as of this date, AREVA is not aware of customer or third-party claims for any of the quality subjects mentioned above.

However, the group cannot exclude the possibility of claims from third parties. In particular, EDF notified AREVA in early February 2017 that the company was reserving the right to ask for redress and to take any legal action as the result of AREVA NP's breaches of its contractual, legal or regulatory obligations or related to the industrial code. Independently of these potential claims, AREVA continues discussions with customers, safety authorities and certifying organizations in order to deal with these subjects as quickly as possible for the benefit of facility safety.

Criminal complaints concerning some of these anomalies were filed against EDF and AREVA on October 14, 2016 with the public prosecutor's office of the Tribunal de Grande Instance de Paris (High Court of Paris), in particular by the NGO Greenpeace. In addition, in accordance with article 40 of the French Code of Criminal Procedure (under which any established authority and any publicly appointed official or civil servant with knowledge of a felony or a misdemeanor within the framework of his/her functions is required to "advise the State Prosecutor without delay"), the Chairman of ASN referred the matter of "irregularities" in the part manufacturing files at AREVA NP's Creusot plant to the State Prosecutor in October 2016.
According to a judicial source, a preliminary investigation was opened by the public health section of the public prosecutor's office of Paris pursuant to this referral and is ongoing in France.

**Documentary deviations on the qualifications of welding operating procedures on the pump motor**

On early 2017, documentary deviations on the qualifications of operating procedures of welds on the pump motor were identified. Some deviations were demonstrated through calculations; other welds are to be the subject of additional analysis and investigations.

## Other highlights

**NewCo**

On April 10, 2017, AREVA and Kazatomprom signed an agreement aimed at strengthening their cooperation in the uranium mining sector in Kazakhstan. This agreement offers new long-term prospects to Katco, a joint subsidiary of AREVA (51%) and Kazatomprom (49%), with the development of the South Tortkuduk project, which will ensure its production over the next two decades.

On February 21, NewCo and CNNC signed a framework agreement for industrial and commercial cooperation in nuclear fuel cycle operations which reinforces the industrial negotiations in progress between the two parties and opens the way to new industrial and commercial opportunities between the two countries.

On June 9, AREVA announced that the AREVA-EWN consortium was going to dismantle the vessel internals of the Brunsbüttel reactor operated by Vattenfall GmbH.

On July 11, AREVA announced the signature of a contract with the NorthStar group, which specializes in the cleanup and dismantling of nuclear facilities in the United States. This contract concerns the cutting up and packaging of the vessel and internal vessel components of the Vermont Yankee boiling water reactor in the State of Vermont. AREVA will also ship the packaged elements to a dedicated disposal site.

### AREVA NP

**Creation of Edvance**
The AREVA SA Board of Directors approved the creation of the Edvance company at the end of April, followed by approval from the EDF Group Board of Directors on May 17, 2017, concluding the combination of the EDF and AREVA NP engineering teams for the construction of nuclear islands.

The new Edvance company will manage the basic and detailed designs as well as the construction of nuclear islands (engineering, procurement assistance, installation, testing and startup) in connection with new builds in France and abroad. Edvance will be the architect-engineer for instrumentation and control systems, meaning that it will define the specifications of operational and safety instrumentation and control systems.

In the first half of 2017, EDF and AREVA NP signed the necessary documents for the establishment of Edvance (shareholders' agreement, framework agreement for the provision of staff, and project-specific agreement).

Edvance is a simplified joint-stock company held by EDF (80%) and AREVA NP (20%). It was registered in Paris on June 1, 2017.

**Signature of a master contract with EDF on intellectual property and rights of use**
On June 30, 2017, AREVA NP and EDF signed an agreement defining the rights of use and related conditions for AREVA NP's intellectual property, to benefit EDF and its affiliates in the construction of new builds and the servicing of the operating fleet.
This 10-year agreement will structure relations between AREVA NP and EDF as concerns intellectual property. In return, AREVA NP will receive an annual payment.
This agreement has been applied on an interim basis since July 1, 2017 to meet the requirements of operations performed by Edvance for the sole requirements of the EPR NM project. The planned effective date of the above-mentioned scope is October 1, 2017.

## Liquidity position and continuity of operations

At June 30, 2017, AREVA's consolidated cash position was 1.421 billion euros; it benefitted from the payment of two shareholder advances in the total amount of 2.0 billion euros in the first half of 2017. In addition, current borrowings in AREVA's continuing operations amounted to 3.342 billion euros, consisting mainly of shareholder advances in the amount of 2.0 billion euros, repaid by offsetting the payable with a capital increase in the same amount on July 12, and the syndicated line of credit of 1.25 billion euros repayable in January 2018. In addition, AREVA guarantees NewCo's borrowings (bond debt and financing of the Georges Besse II industrial asset in the total amount of 5.5 billion euros) until the completion of the New AREVA Holding capital increase in the amount of at least 3 billion euros.

The capital increase of 2 billion euros which occurred on July 12, 2017 and the sale of New NP to EDF, planned to take place by the end of 2017 in the amount of approximately 2.5 billion euros (excluding potential earn-out provisions and price supplements), aim to enable the company to pay down its debt and to finance its future operations until its commitments have been extinguished, in particular with respect to the completion of the OL3 project, disputes, and guarantees given on certain contracts.

AREVA has not identified items likely to call into question the completion of the New NP sale before the end of 2017. To secure the schedule for the transaction, AREVA is maintaining tight control of the selling process and of the fulfillment of the conditions precedent stipulated in the share purchase agreement.

Taken together, these items will ensure the continuity of operations.

In the event that the sale of New NP occurs late in the year, AREVA SA secured a commitment from its banking partners on March 28, 2017 for senior secured bridge financing of 300 million euros, repayable on January 8, 2018.

In addition, if the combined risks and guarantees related to the continuing operations and guarantees given in connection with restructuring operations were to exceed available resources, the company holds an interest in New AREVA Holding whose value was a little more than 2 billion euros at June 30, 2017.

**NOTE 2 - ACCOUNTING PRINCIPLES**

**Preparation of the financial statements**

The consolidated financial statements at June 30, 2017, approved by the Board of Directors on July 27, 2017, were prepared in accordance with the accounting standard IAS 34 on interim financial data. These condensed financial statements do not contain all the information to be provided for year-end financial statements prepared in accordance with International Financial Reporting Standards (IFRS); they must be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

Significant events of the period are described in the half-year activity report.

**Accounting principles**

Accounting principles used to prepare the condensed financial statements for the period ended June 30, 2017 are identical to those described in Note 1 to the consolidated financial statements for the year ended December 31, 2016.

**New standards and interpretations adopted by the European Union which do not yet have a mandatory effective date**

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments was published on July 24, 2014 and adopted by the European Union on November 22, 2016. It will be mandatory for financial years beginning January 1, 2018 and will replace IAS 39 – Financial Instruments: Recognition and Measurement. It defines new principles for the classification and measurement of financial instruments, the impairment of financial assets due to credit risk, and hedge accounting (called micro-hedging).

The group carried out an analysis of the issues and potential impacts which Phase 1 – Classification and Measurement could have on assets earmarked for end-of-lifecycle operations. In fact, according to IFRS 9, the classification and measurement of financial assets (mainly consisting of the earmarked portfolio) depends on the business model and contractual characteristics of the instruments:

- by default, equity instruments are classified “at fair value through profit and loss”, except for the irrevocable non-transferable equity option;
- debt instruments, known as SPPI (Solely Payments of Principal and Interest), are valued at fair value through transferable equity when a “collect and sell” business model is used, or at amortized cost in the case of a “collect’ business model.

Insofar as the group will not change the management methods for its earmarked funds (in particular the mutual funds) and will apply the default treatment to equity instruments, the main impacts are expected to be increased volatility of the statement of income. Optimization of the yields of assets in the earmarked funds will remain the group’s priority, independently of the volatility that their recognition will bring about in the financial statements.

In addition, Phase 2 – Impairment of the standard introduces a new impairment model for credit risk based on expected losses. This model will require recognition of expected credit losses at 12 months (resulting from the risk of defaults in the next 12 months) on purchased or originated instruments at their initiation. Full lifetime expected credit losses (resulting from the risk of default over the remaining life of the instrument) must be recognized if the credit risk has increased significantly since initial recognition. Definition of a valuation model is in progress.

In addition, Phase 3 – Hedging aims to align hedge accounting more closely with risk management. The group is currently studying the potential issues for the financial risk hedging strategies and for documentation, but it does not expect material impacts on its consolidated financial statements, based on analyses conducted to date.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers was published on May 28, 2014 and adopted by the European Union on September 22, 2016. It will be mandatory for financial years beginning as from January 1, 2018. It will replace several standards and interpretations related to recognition of revenue, in particular IAS 18 – Revenue Recognition and IAS 11 – Construction Contracts. This standard rests on principles described in a five-step model to determine when and in what amount income from ordinary operating activities should be recognized.

In view of the restructuring operations in progress, the group's analysis was carried out at two levels:

- Identification of the potential impacts on the scope of AREVA's continuing operations at January 1, 2018: at this stage, the analysis has confirmed the lack of significant impacts during the first adoption of the standard;
- Identification of the potential impacts on the scope of New AREVA Holding, which will be consolidated according to the equity method on the date of first adoption of IFRS 15: based on the group's analysis of major contract types, subjects likely to have an impact on the net worth of New AREVA Holding have been identified. Quantified analysis of the impacts of first adoption of IFRS 15 is in progress, in particular the pace of revenue recognition for investments funded by customers.

The group will complete the quantified analysis of the standard's impacts by December 31, 2017. The group will apply IFRS 15 as from January 1, 2018 following the "modified retrospective approach". Consequently, the 2017 comparative financial statements presented in the 2018 financial statements will be as reported in 2017 in the current reference, and only equity appearing on the opening balance sheet at January 1, 2018 will be adjusted for the effects of the adoption of this new standard. Information will be provided in an appendix to the financial statements to facilitate the comparability of the financial statements.

**Specific methods used to prepare interim financial statements**

- AREVA uses the method recommended by IAS 34 to determine the tax expense for the interim period. This is calculated by applying the estimated average effective tax rate for the year to before-tax income for the period. However, a different tax rate was used for categories of income subject to a specific tax rate, such as gains on disposals of securities subject to long-term capital gains tax treatment.

- The charge related to retirement commitments and other employee benefits for the interim period is calculated based on the discount rate determined at December 31, 2016. In applying this method to the first half of 2017, AREVA calculated the charge for the cost of services rendered during the period, the charge for provision unwinding, and the income related to the expected return on earmarked assets using the discount rate established at December 31, 2016, in accordance with IAS 19. Changes in actuarial assumptions used to value benefit liabilities at June 30, 2017 were recognized under Other items of comprehensive income, in nearly their full amount.
- The discount rate used to value these commitments at June 30, 2017 was 1.70% for the Eurozone (compared with 1.50% at December 31, 2016). The discount rate used to value commitments in the United States at June 30, 2017 was 3.75% for the US zone (compared with 4.0% at December 31, 2016).

**Adoption of IFRS 5 rules related to operations sold, discontinued or held for sale**

AREVA applies IFRS 5 to operations sold, discontinued or held for sale, which represent significant amounts in its financial statements for the period ended June 30, 2017. In this regard:

***Valuation***

- Before proceeding to classification as "operations held for sale", all of the assets and liabilities concerned were valued in accordance with the accounting principles historically applied by AREVA.
- As from their date of classification as "operations held for sale":
  - Non-current assets such as goodwill; intangible assets; property, plant and equipment; and interests in joint ventures and associates follow specific rules imposed by IFRS 5. In particular:
    - amortization of amortizable assets ceases;
    - interests in joint ventures and associates cease to be consolidated by the equity method.
  - Other assets and liabilities continue to be valued according to the principles historically followed by AREVA.

Thus determined, the group's carrying amount of assets held for sale and related liabilities is compared with its fair value less disposal costs, giving rise if necessary to the recognition of impairment.

***Presentation***

- The assets and liabilities of operations held for sale are presented in their total amount under specific headings of the statement of financial position; the payables and borrowings of these operations towards the group's other entities continue to be eliminated on consolidation. The comparative statement of financial position is not restated.

- Net income from operations sold, discontinued or held for sale is presented under a specific heading of the statement of income, which includes the net income after tax of those operations until the date of their discontinuation or disposal and the net gain after tax on the disposal itself. The statement of income for the previous year is presented for purposes of comparison and is restated in identical fashion. This heading also includes the impact on the statement of income of post-disposal price adjustments and guarantees given to the buyer. The elimination of the income and expenses of these operations with respect to the group's other entities aims to present the revenue earned with companies outside the group and reflects the manner in which the transactions will be continued.

- Net cash flows from operations sold, discontinued or held for sale are also presented under a specific heading of the statement of cash flows, which includes cash flows generated by those operations until the date of their discontinuation or disposal and the net cash flow after tax generated on the disposal itself. The statement of cash flows of the previous year, presented for comparison, is restated in identical fashion. This heading also includes the impact of post-disposal price adjustments on the statement of cash flows and guarantees given to the buyer. The cash flow from these operations with respect to the group's other entities continues to be eliminated on consolidation.

**Correction to the consolidated financial statements for the year ended December 31, 2016**

During actuarial assessments carried out in the first quarter of 2017, a material error was identified in the estimate of provisions for employee benefits recognized at December 31, 2016. This error concerns (i) a delay in updating workforce databases, which did not factor in some resignations and some retirements for actuarial calculations at December 31, 2016, and, (ii) to a lesser extent, an additional plan reduction related to departures under the Voluntary Departure Plan. Following the correction of this error, net income at December 31, 2016 was increased by 17 million euros, and actuarial gains and losses of 33 million euros were recognized in comprehensive income.

Pursuant to IAS 8, the impact of this correction was recognized retroactively in the statement of income and in the statement of comprehensive income for the year ended December 31, 2016 and, consequently, in equity at January 1, 2017. The statement of financial position and the statement of comprehensive income at December 31, 2016 presented in the consolidated financial statements for the period ended June 30, 2017 have been corrected accordingly.

## NOTE 3 - ITEMS RELATED TO ASSETS AND OPERATIONS SOLD, DISCONTINUED OR HELD FOR SALE

The following operations meet the criteria of IFRS 5 for classification as assets and liabilities of operations held for sale at June 30, 2017:

### Nuclear Measurements

On July 1, 2016, AREVA announced the completion of the sales of its subsidiaries Canberra Industries Inc. and Canberra France SAS, which specialize in radioactivity detection and measurement instrumentation, to the industrial group Mirion Technologies Inc.
The capital gain from the sale completed in 2016 was 132 million euros.

### Wind Energy

In accordance with its objective of refocusing on the nuclear fuel cycle operations, AREVA sold its 50% interest in the Adwen joint venture to Gamesa on January 5, 2017. The Adwen joint venture was created on March 9, 2015 in partnership with Gamesa, the Spanish onshore wind energy specialist. Adwen had been recognized as an asset held for sale on December 31, 2016.

### AREVA TA

On December 15, 2016, the company signed a share purchase agreement to sell all of its shares in AREVA TA to a consortium of buyers composed of the Agence des participations de l'État (APE, 50.32% of the capital), the Commissariat à l'Anergie Atomique et aux énergies alternatives (CEA, 20.32%), and DCNS (20.32%). EDF will keep its 9.03% interest in the capital.
The sale closed on March 29, 2017 after the employee representative bodies had been consulted and the ministerial orders related to this transaction had been published. The income of 315 million euros from the sale was recognized under “Net income from operations held for sale”.

### Solar Energy

Following the agreement signed on January 16, 2016 between AREVA and its customer Reliance to end their reciprocal obligations for the project to build and maintain a solar power plant in Dhursar, India, the only entities remaining in the Solar Energy operations are non-operational legal entities held for sale or to be liquidated as soon as regulatory constraints allow, particularly tax-related constraints. The Solar Energy operations were thus kept in “discontinued operations” at June 30, 2017.

### NewCo

The proposed NewCo capital increase was approved by the NewCo shareholders on February 3, 2017. The French State's acquisition of a stake in NewCo’s share capital will entail the dilution and loss of control of AREVA SA.
Since the General Meeting of Shareholders of AREVA SA convened on December 15, 2016, AREVA believed that the conditions for application of IFRS 5 – Non-current assets held for sale and discontinued operations had been fulfilled: the loss of AREVA SA’s control of NewCo was considered to be highly probable at June 30, 2017.

**New NP**

*Signature of the share purchase agreement*

Following the memorandum of understanding signed on July 28, 2016, AREVA, AREVA NP and EDF signed a share purchase agreement on November 15, 2016 which sets the terms and conditions for the sale of an interest giving EDF the exclusive control of the New NP entity, a wholly owned subsidiary of AREVA NP, which will combine the industrial operations of the design and supply of nuclear reactors and equipment, fuel assemblies and services to the installed base. The sales price for 100% of the capital of New NP was set at 2.5 billion euros, excluding any potential earn-outs and price adjustments.

*Sequence of transactions*

This transaction will be implemented, firstly and as concerns France, through a partial contribution of assets subject to the rules for demergers granted by AREVA NP to its subsidiary New NP, of all of its industrial operations, of reactor design and construction, of fuel assembly and of services to the installed base, to the exclusion in particular of the OL3 project and the resources needed for the completion of that project; and, secondly, through the sale to EDF and to third-party investors of AREVA NP shares in New NP received in consideration for the contribution. For AREVA NP's operations in Germany, a similar reorganization of AREVA GmbH through the contribution of operations, excluding OL3 and the resources necessary to complete that project, to the New NP GmbH company is planned for October 30, 2017. For the operations in the United States, the reference scenario will be the sale of AREVA NP Inc. as is to New NP.
The contracts related to the OL3 project and the means needed to complete that project, along with the liability attached to outstanding contracts related to parts forged at the Creusot plant and possibly to contracts not outstanding but for which serious anomalies might have been identified and not yet resolved by the closing of the New NP sale, will be kept within AREVA NP and will thus remain within AREVA SA's consolidation scope.
The contractual obligations which would be chargeable to New NP in the event of the discovery of anomalies resulting from a failure in the quality control of equipment manufacturing at the Creusot plant and, possibly, at the Saint-Marcel and Jeumont plants will continue to be guaranteed by AREVA.

*Authorizations and waiver of conditions precedent*

The sale of AREVA NP shares in New NP to EDF and third-party investors is planned for December 31, 2017, after consultation of the employee representative bodies, receipt of the regulatory authorizations and the waiver of the other conditions precedent of the transaction. AREVA and EDF have already agreed on the terms and conditions for implementing the transactions on December 31, which will not be a work day.
On May 29, 2017, the European Commission authorized the proposed takeover of New NP by EDF by virtue of European Union regulations on mergers. The Commission concluded that the transaction would not raise issues of competition.
On June 28, 2017, ASN presented its draft opinion concerning the tenacity of the upper and lower heads (closure and bottom heads) of the Flamanville EPR reactor vessel. ASN will submit its draft opinion for public consultation during the summer and will render its final opinion in the autumn. ASN found that the mechanical properties of the two parts were adequate, even in extreme situations, and that they are suitable for service. Given the uncertainty related to the feasibility of certain inspections of the closure head, and for purposes of defense in depth, ASN considers that this component could not be used beyond 2024.
Among the conditions precedent remaining to be met is the satisfactory conclusion of quality audits in the Creusot plant; the successful completion of tests carried out on behalf of the nuclear safety authority concerning the primary cooling systems of the Flamanville and Taishan EPRs; and the transfer of AREVA NP's operations, excluding the OL3 contract and certain components, to the New NP entity described above.

*Third-party investors*

Discussions were initiated with several counterparts at the end of 2016 for the acquisition of an equity stake in New NP by strategic shareholders, alongside EDF. The interest acquired by EDF, which could be as much as 75% of the capital under the terms of the share purchase agreement signed on November 15, 2016, would thus be reduced to a target interest of between 51% and 75%, giving EDF exclusive control.
On July 7, 2017, binding agreements were signed with Mitsubishi Heavy Industries for an equity stake in New NP of 15% and potentially up to 19.5%, and with Assystem for a stake of 5%.
In connection with these agreements, the sales price for 100% of the equity value of New NP was confirmed at 2.5 billion euros, excluding potential earn-out provisions and price adjustments at the closing date. The mechanisms for completing the transactions defined in the share purchase agreement signed with EDF on November 15, 2016 apply to these minority investors.

## NET INCOME AND NET CASH OF OPERATIONS SOLD OR HELD FOR SALE

| *(in millions of euros)* | 1st half 2017 | 1st half 2016 | 2016 |
|---|---|---|---|
| Net income from operations sold | 8 | (56) | (65) |
| Net income after tax from disposals | 319 | - | 131 |
| Net income from discontinued operations | 43 | 10 | (16) |
| Net income from operations held for sale | 456 | (87) | (398) |
| **NET INCOME FROM OPERATIONS SOLD, DISCONTINUED OR HELD FOR SALE** | **826** | **(133)** | **(348)** |
| Net cash from operations sold | (102) | - | 240 |
| Net cash from discontinued operations | 280 | (59) | (189) |
| Net cash from operations held for sale | 1 014 | (413) | (647) |
| **NET CASH FROM OPERATIONS SOLD, DISCONTINUED OR HELD FOR SALE** | **1 192** | **(472)** | **(597)** |

**First half of 2017**

*Operations sold include AREVA TA and guarantees given to Adwen by AREVA.*

| *(in millions of euros)* | Operations sold | Discontinued operation | Operations held for sale | | |
|---|---|---|---|---|---|
| | | Solar Energy | New NP | NewCo | **TOTAL** |
| **Revenue** | **76** | **0** | **1,547** | **1,740** | **3,363** |
| **Operating income after share in net income of joint ventures and associates (*)** | **325** | **45** | **213** | **503** | **1,086** |
| Net financial income | 1 | (3) | (60) | (118) | **(180)** |
| Income tax | (3) | 0 | (19) | (58) | **(80)** |
| **Net income for the period** | **323** | **43** | **133** | **327** | **826** |

*(*) Includes the capital gain from the sale of AREVA TA and MAINCO.*

Operating income from the Solar Energy operations includes 45 million euros of currency translation reserves recycled through profit and loss.
On June 30, 2017, amortization, depreciation and impairment of non-current assets included in operating income were neutralized pursuant to IFRS 5; they amount to 95 million euros for New NP and 534 million euros for NewCo.

The transactions of the continuing operations with operations sold, discontinued or held for sale were as follows at June 30, 2017:

- The operating income of the continuing operations includes transactions with operations sold, discontinued or held for sale in the amount of (26) million euros.
- The net financial income from the continuing operations includes transactions with the operations sold, discontinued or held for sale in the amount of 28 million euros.

| *(in millions of euros)* | Operations sold | Discontinued operation | Operations held for sale | | |
|---|---|---|---|---|---|
| | | Solar Energy | New NP | NewCo | **TOTAL** |
| Net cash flow from operating activities | (59) | (3) | 342 | (53) | **227** |
| Net cash flow from investing activities | (50) | 0 | (93) | (253) | **(396)** |
| Net cash flow from financing activities | 7 | 277 | 1,254 | (184) | **1,354** |
| Other changes | 0 | 6 | 12 | (10) | **8** |
| **CHANGE IN NET CASH** | **(102)** | **280** | **1,515** | **(500)** | **1,192** |

The transactions of the continuing operations with operations sold, discontinued or held for sale were as follows at June 30, 2017:

- Cash flow from operating activities of the continuing operations with operations sold, discontinued or held for sale amounted to (27) million euros.
- Cash flow from investing activities of the continuing operations with operations sold, discontinued or held for sale was insignificant.
- Cash flow from financing activities of the continuing operations with operations sold, discontinued or held for sale amounted to (1.542) billion euros for Holding operations.

**First half of 2016**

Operations sold include guarantees given to Adwen by AREVA.
Other operations held for sale include AREVA TA and the Nuclear Measurements operations.

| *(in millions of euros)* | Operations sold | Discontinued operation | Operations held for sale | | | |
|---|---|---|---|---|---|---|
| | | Solar Energy | New NP | NewCo | Other | **TOTAL** |
| **Revenue** | **-** | **(1)** | **1,561** | **1,929** | **227** | **3,717** |
| **Operating income after share in net income of joint ventures and associates** | **0** | **12** | **132** | **90** | **13** | **247** |
| Net financial income | (56) | (3) | (70) | (185) | 2 | (312) |
| Income tax | - | - | (9) | (45) | (15) | (69) |
| **Net income for the period** | **(56)** | **10** | **53** | **(140)** | **0** | **(133)** |

Operating income from the Solar Energy operations includes 12 million euros of currency translation reserves recycled through profit and loss.
At June 30, 2016, amortization, depreciation and impairment of non-current assets included in operating income were neutralized pursuant to IFRS 5; they amount to 75 million euros for New NP.

| *(in millions of euros)* | Operations sold | Discontinued operation | Operations held for sale | | | TOTAL |
|---|---|---|---|---|---|---|
| | | Solar Energy | New NP | NewCo | Other | |
| Net cash flow from operating activities | **-** | (87) | 16 | 330 | (6) | **253** |
| Net cash flow from investing activities | **-** | 0 | (53) | (310) | (5) | **(367)** |
| Net cash flow from financing activities | - | 26 | (412) | 26 | (8) | **(368)** |
| Other changes | - | 2 | (3) | 12 | 0 | **11** |
| **CHANGE IN NET CASH** | **-** | **(59)** | **(451)** | **57** | **(19)** | **(472)** |

**2016**

Operations sold include the Nuclear Measurements operations and guarantees given to Adwen by AREVA.

| *(in millions of euros)* | Operations sold | Discontinued operation | Operations held for sale | | | TOTAL |
|---|---|---|---|---|---|---|
| | | Solar Energy | New NP | NewCo | AREVA TA | |
| **Revenue** | **72** | **-** | **3,101** | **4,012** | **353** | **7,538** |
| **Operating income after share in net income of joint ventures and associates** | **88** | **(18)** | **80** | **460** | **46** | **657** |
| Net financial income | 1 | 2 | (54) | (537) | 13 | (575) |
| Income tax | (23) | 0 | (41) | (337) | (28) | (429) |
| **Net income for the period** | **66** | **(16)** | **(14)** | **(415)** | **31** | **(348)** |

Operating income from the Solar Energy operations includes (18) million euros of currency translation reserves recycled through profit and loss.
At December 31, 2016, amortization, depreciation and impairment of non-current assets included in operating income were neutralized pursuant to IFRS 5; they total 179 million euros for New NP and 28 million euros for NewCo.

Transactions of the continuing operations with operations sold, discontinued or held for sale were as follows at December 31, 2016:

- Operating income from continuing operations includes transactions with operations sold, discontinued or held for sale in the amount of 161 million euros.
- Net financial income from continuing operations includes transactions with operations sold, discontinued or held for sale in the amount of 22 million euros for Holding operations.

| *(in millions of euros)* | Operations sold | Discontinued operation | Operations held for sale | | | TOTAL |
|---|---|---|---|---|---|---|
| | | Solar Energy | New NP | NewCo | AREVA TA | |
| Net cash flow from operating activities | (55) | (95) | 35 | 720 | 30 | **635** |
| Net cash flow from investing activities | 306 | 1 | (142) | (543) | (10) | **(390)** |
| Net cash flow from financing activities | (10) | (84) | (115) | (729) | 61 | (878) |
| Other changes | (1) | (11) | 70 | (22) | 0 | 36 |
| **CHANGE IN NET CASH** | **240** | **(189)** | **(152)** | **(575)** | **80** | **(597)** |

Transactions of the continuing operations with operations sold, discontinued or held for sale were as follows at December 31, 2016:

- Cash flow from operating activities of the continuing operations with operations sold, discontinued or held for sale amounted to 249 million euros.
- Cash flow from investing activities of the continuing operations with operations sold, discontinued or held for sale was insignificant.
- Cash flow from financing activities of the continuing operations with operations sold, discontinued or held for sale amounted to 523 million euros for Holding operations.

## ASSETS AND LIABILITIES HELD FOR SALE

The amounts at December 31, 2016 include the assets and liabilities of AREVA TA, New NP, NewCo and Adwen.

The amounts at June 30, 2017 include the assets and liabilities of the New NP and NewCo operations.

The assets and liabilities of the Solar Energy operations are reclassified in each item of the balance sheet as provided in IFRS 5 for operations that have ceased to be classified as "operations held for sale".

| *(in millions of euros)* | Note | June 30, 2017 | December 31, 2016 |
|---|---|---|---|
| **Non-current assets** | | **21,530** | **21,631** |
| Goodwill on consolidated companies | | 3,567 | 3,669 |
| Intangible assets | | 2,128 | 2,084 |
| Property, plant and equipment | | 8,845 | 8,706 |
| End-of-lifecycle assets (third party share) | ***8*** | 118 | 127 |
| Assets earmarked for end-of-lifecycle operations | ***8*** | 6,382 | 6,192 |
| Investments in joint ventures and associates | | 88 | 172 |
| Other non-current assets | | 199 | 201 |
| Deferred tax assets | | 203 | 480 |
| **Current assets** | | **5,521** | **5,401** |
| Inventories and work-in-process | | 2,072 | 1,968 |
| Customers | | 1,537 | 1,563 |
| Other operating receivables | | 1,517 | 1,533 |
| Current tax assets | | 68 | 91 |
| Other non-operating receivables | | 81 | 77 |
| Cash and cash equivalents | ***11*** | 225 | 162 |
| Other current financial assets | | 22 | 6 |
| **TOTAL ASSETS OF OPERATIONS HELD FOR SALE** | | **27,052** | **27,032** |

| *(in millions of euros)* | Note | June 30, 2017 | December 31, 2016 |
|---|---|---|---|
| **Non-current liabilities** | | **14,601** | **14,846** |
| Employee benefits | | 1,680 | 1,854 |
| Provisions for end-of-lifecycle operations | ***8*** | 7,792 | 7,682 |
| Other non-current provisions | ***13*** | 267 | 256 |
| Share in negative net equity of joint ventures and associates | | 51 | 63 |
| Long-term borrowings | ***14*** | 4,811 | 4,852 |
| Deferred tax liabilities | | 0 | 140 |
| **Current liabilities** | | **11,720** | **12,495** |
| Current provisions | ***13*** | 2,279 | 2,538 |
| Short-term borrowings | ***14*** | 1,066 | 1,027 |
| Advances and prepayments received | | 4,516 | 4,545 |
| Suppliers | | 1,252 | 1,432 |
| Other operating liabilities | | 2,479 | 2,798 |
| Current tax liabilities | | 38 | 82 |
| Other non-operating liabilities | | 88 | 74 |
| **TOTAL LIABILITIES OF OPERATIONS HELD FOR SALE** | | **26,321** | **27,341** |

## NOTE 4 - OPERATING INCOME

### Gross margin

Revenue is now limited to charge-backs of services rendered to operations held for sale and does not cover the company's operating expenses with respect to the OL3 project, for which the loss at completion was increased by 35 million euros in the first half, nor does it cover losses on a limited number of projects in the Bioenergy operations, in the process of being extinguished. In addition, gross margin for the period was impacted by an additional provision of approximately 200 million euros related to (i) costs, risks and guarantees pertaining to the continuing operations; and (ii) potential warranty claims in connection with the restructuring operations, to which AREVA SA is potentially exposed.

### General and administrative expenses

In the first half of 2017, general and administrative expenses corresponded to the costs borne by the entities in the continuing operations. The sharp decline in relation to June 30, 2016 is attributable to the transfer of costs related to the NewCo and New NP consolidation scopes, paid in 2016 by AREVA SA under existing agreements and now recorded directly in the entities which make up those two consolidation scopes.

### Other operating expenses

| *(in millions of euros)* | **1st half 2017** | **1st half 2016** | **Year 2016** |
|---|---|---|---|
| Restructuring and early retirement plan costs* | (6) | (9) | (13) |
| Goodwill impairment | | - | - |
| Impairment of other assets | (0) | (2) | - |
| Income on disposals of assets other than financial assets | | - | (5) |
| Other expenses | (21) | (15) | (62) |
| **Total other operating expenses** | **(27)** | **(26)** | **(80)** |

**** Net of reversals of provisions for employee benefits***

### Other operating income

| *(in millions of euros)* | **1st half 2017** | **1st half 2016** | **Year 2016** |
|---|---|---|---|
| Income on sales of non-financial assets | | - | - |
| Other income | 18 | 199 | 195 |
| **Total other operating income** | **18** | **199** | **195** |

The restructuring costs are described in Notes 1 and 13.

The impairment of goodwill and other assets is described in Note 7.

Other operating income mainly includes the reversal of a provision of 180 million euros charged in 2015 for the anticipated costs of legal and financial restructuring and reversed in 2016 due to the fact that the initial plan had not been implemented but was rather replaced by a plan to contribute AREVA NP's operations to a new entity, New NP.

**NOTE 5 - NET FINANCIAL INCOME**

| *(in millions of euros)* | 1st half 2017 | 1st half 2016 | Year 2016 |
|---|---|---|---|
| **Net borrowing costs** | **(8)** | **(30)** | **(73)** |
| Income from cash and cash equivalents | 1 | 3 | 38 |
| Gross borrowing costs | (9) | (33) | (111) |
| **Other financial income and expenses** | **(7)** | **(9)** | **5** |
| ***Share related to end-of-lifecycle operations*** | **-** | **-** | **-** |
| ***Share not related to end-of-lifecycle operations*** | ***(7)*** | ***(9)*** | ***5*** |
| Foreign exchange gain (loss) | (3) | 7 | 13 |
| Income from disposals of securities and change in value of securities held for trading | 1 | (2) | (2) |
| Income from equity associates | (1) | - | (2) |
| Dividends received | - | - | - |
| Impairment of financial assets | - | (5) | 25 |
| Interest on contract prepayments | - | - | - |
| Financial income from pensions and other employee benefits | - | - | 0 |
| Other financial expenses | (3) | (8) | (29) |
| Other financial income | - | - | - |
| **Net financial income** | **(15)** | **(38)** | **(68)** |

The cost of gross borrowings for the continuing operations improved, at (9) million euros compared to (33) million euros in the first half of 2016, due to:

- the favorable change in the value of certain financial instruments (cross-currency swaps in US dollars) in the amount of 8 million euros;
- interest income in the amount of 12 million euros generated by the medium-term loan of 1.640 million euros to AREVA NP put in place on January 3, 2017.

At December 31, 2016, other financial expenses included in particular debt forgiveness granted to an operation held for sale in the amount of 14 million euros.

**NOTE 6 - INCOME TAX**

No income tax expense was recognized in the first half of 2017.

The tax expense for the first half of 2017 was calculated by applying the estimated effective tax rate for the year to income before tax of each tax jurisdiction, excluding disposals of securities over the period.

The effective tax rate forecasts for each jurisdiction in France include the value-added business tax (*contribution sur la valeur ajoutée des entreprises*, CVAE), net of income tax at the normal tax rate.

Changes in deferred taxes recognized directly in equity and resulting from changes in the fair value of financial instruments and actuarial differences on employee benefits recognized in equity were written down fully in the first half of 2017.

In view of the taxable income forecasts, the projected effective tax rate for the integrated AREVA SA group does not include any value for deferred tax assets which will be generated in 2017. This position is thus reflected in the tax expenses of the group recognized at June 30, 2017.

In the United States, deferred tax assets were valued for two separate tax consolidation groups, AREVA Inc. and AREVA Nuclear Materials LLC, pursuant to IAS 12. The deferred tax assets were valued based on future income prospects. These future taxable profits, less deferred losses resulting from causes identified as non-recurring, were assessed as regards budget forecasts validated by management.

It should be noted that at the end of the 2016 financial year, the value of deferred tax assets amounted to 213 million euros for the consolidated AREVA Inc. group, including 9 million euros for AREVA Solar, and to 124 million euros for the consolidated AREVA Nuclear Materials LLC group.

## NOTE 7 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### NET INTANGIBLE ASSETS

### CONTINUING OPERATIONS

| *(in millions of euros)* | **December 31, 2016** | Increase | Disposals | Net increase in depreciation / Impairment* | Other changes | Currency translation adjustments | **June 30, 2017** |
|---|---|---|---|---|---|---|---|
| Concessions and patents (excluding mines) | **22** | | | | (21) | | **1** |
| Software | **17** | | | | (17) | | **-** |
| Intangible assets in progress | **4** | | | | (4) | | **-** |
| Other | **0** | | | | - | | **-** |
| **TOTAL** | **42** | **-** | **-** | **-** | **(42)** | **-** | **1** |

* for which no impairment of intangible assets was recognized in the first half.

The other changes correspond to the sale of AREVA SA's computer software to SI-nergie (information technology economic interest grouping), held 50% by NewCo and 50% by New NP.

### NET PROPERTY, PLANT AND EQUIPMENT

### CONTINUING OPERATIONS

| *(in millions of euros)* | **December 31, 2016** | Increase | Disposals | Net increase in depreciation / Impairment * | Other changes | Currency translation adjustments | **June 30, 2017** |
|---|---|---|---|---|---|---|---|
| Land | **1** | | | | | | **1** |
| Buildings | **5** | | | | | | **5** |
| Plant, equipment and tooling | **1** | | | | | | **1** |
| Other | **14** | | | (3) | (1) | | **10** |
| In progress | **3** | | | | (3) | | **0** |
| **TOTAL** | **25** | **-** | | **(3)** | **(5)** | **-** | **17** |

* For which no impairment of property, plant and equipment was recognized in the first half.

## NOTE 8 - END-OF-LIFECYCLE OPERATIONS

### PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS

### CONTINUING OPERATIONS

None

### OPERATIONS HELD FOR SALE

| *(in millions of euros)* | June 30, 2017 | December 31, 2016 |
|---|---|---|
| New NP | 331 | 339 |
| NewCo | 7,461 | 7,342 |
| **TOTAL (*)** | **7,792** | **7,682** |

** see Note 3*

Provisions for end-of-lifecycle operations rose 110 million euros in the first half of 2017 for the following reasons:
- The unwinding charge for the period of +146 million euros
- The change in project costs at completion and increased contingencies in the Front End in the amount of 87 million euros
- Half-year expenses in the amount of 123 million euros

***NewCo***

| ***(in millions of euros)*** | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Dismantling of nuclear facilities | 5,389 | 5,280 |
| Waste retrieval and packaging | 2,071 | 2,061 |
| **Provisions for end-of-lifecycle operations** | **7,461** | **7,342** |

The change over the period resulted mainly from the 80-million-euro increase in a contingency for risks and uncertainties related to the dismantling of facilities in the front end of the cycle and the retrieval and packaging of waste from them. This charge strengthens the provision for uncertainties (under the meaning of article 2 of decree no. 2007-243 of February 23, 2007 on the security of financing of nuclear expenses). It was made in compliance with the terms of the follow-up letter received on May 28, 2014 from the administrative authority.

The discount rate is set:
- pursuant to IAS 37, based on market conditions at year-end closing and the specific characteristics of the liability; and
- to comply with the regulatory cap defined by the decree of February 23, 2007 and the order of March 23, 2015 amending the order of March 21, 2007.

The rate thus results from implementation of the following approach:
- an initial estimate is made based on the moving average yield of 30-year French OATs over a 10-year period, plus a spread applicable to prime corporate borrowers;
- a rate curve is then constructed based on the rate curve of the French State (OAT rates) at the closing date, extended for non-liquid maturities using a long-term break-even rate, plus a spread applicable to prime corporate borrowers and a liquidity risk premium.

Based on the schedule of expected disbursements, a single equivalent rate is deduced from the rate curve constructed in this manner. For example, the discount rate is revised based on changes in national economic conditions, with a lasting medium- and long-term impact, in addition to the potential effects of regulatory caps.

At June 30, 2017, the maximum regulatory rate, a sliding 10-year average of the 30-year constant maturity rate (TEC30) plus 1%, was 4.2%.

The discount rate used at June 30, 2017 was 4.10% and the long-term inflation rate was 1.65%, identical to those at December 31, 2016.
The impact on provisions for end-of-lifecycle operations of a change in the discount rate of +/- 25 basis points (4.35% or 3.85%) would be a change in the provision of -348 million euros or +382 million euros respectively, based on an assumption of no change in long-term inflation.

## FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS

### CONTINUING OPERATIONS

None

### OPERATIONS HELD FOR SALE

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| New NP | 126 | 106 |
| NewCo | 6,256 | 6,086 |
| **TOTAL *(*)*** | **6,382** | **6,192** |

** see Note 3*

***NewCo***

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| Receivables related to end-of-lifecycle operations | 778 | 779 |
| Earmarked assets | 5,478 | 5,307 |
| **Total** | **6,256** | **6,086** |

Assets earmarked for end-of-lifecycle operations increased 160 million euros in the first half of 2017, the net result of deductions to finance the costs of dismantling performed and the increase in the value of the portfolio of earmarked financial instruments attributable to the market situation.

Receivables related to end-of-lifecycle operations correspond in particular to receivables from the CEA arising from the signature of a contract in December 2004 under which the CEA agreed to fund a share of the dismantling costs of certain facilities at the la Hague and Cadarache plants and a share of waste retrieval and packaging costs at the UP2-400 plant at la Hague.

The coverage ratio of earmarked assets to liabilities in the scope covered by the law of 2006 was 89% at June 30, 2017 (the same as at December 31, 2016).

## NOTE 9 - INFORMATION ON JOINT VENTURES AND ASSOCIATES

### CONTINUING OPERATIONS

### INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Carrying amount

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| Joint Ventures | 4 | 6 |
| Associates | 5 | 4 |
| **Total** | **9** | **10** |

### SHARE IN NET EQUITY OF JOINT VENTURES AND ASSOCIATES

| *(in millions of euros)* | **1st half 2017** | **1st half 2016** | **2016** |
|---|---|---|---|
| Joint Ventures | (2) | (14) | (15) |
| Associates | 1 | 1 | 1 |
| **Total** | **(1)** | **(14)** | **(14)** |

## NOTE 10 - OTHER NON-CURRENT ASSETS

### CONTINUING OPERATIONS

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| Loans to associates | 1 | 229 |
| Other non-current financial assets | 211 | 4 |
| **Total** | **212** | **234** |

At December 31, 2016, loans to affiliates mainly concerned Adwen. At June 30, 2017, since Adwen had been sold, the receivable was reclassified in other non-current financial assets.

## NOTE 11 - CASH AND CASH EQUIVALENTS

### CONTINUING OPERATIONS

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| Cash and current accounts | 551 | 483 |
| Cash equivalents | 870 | 202 |
| **Net amount** | **1,421** | **686** |

Cash equivalents consist chiefly of short-term marketable securities and mutual funds.

At June 30, 2017 and December 31, 2016, continuing operations had no unavailable cash or cash equivalents.

## OPERATIONS HELD FOR SALE

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| AREVA TA | - | 0 |
| New NP | 40 | 26 |
| NewCo | 185 | 136 |
| **TOTAL *(*)*** | **225** | **162** |

** see Note 3*

At June 30, 2017, the amount of cash and cash equivalents not available to the group was 47 million euros (compared with 67 million euros at December 31, 2016):

- 17 million euros held by a subsidiary operating in Kazakhstan, where there are legal restrictions;
- 30 million euros held by a captive insurance firm pursuant to the Solvency2 prudential regulation.

### NOTE 12 - EMPLOYEE BENEFITS

The discount rate used to value these commitments at June 30, 2017 was 1.70% for the eurozone (compared with 1.50% at December 31, 2016). The discount rate used at June 30, 2017 to value commitments in the United States was 3.75% for the US zone (compared with 4.0% at December 31, 2016).

This rate was set in consideration of several pertinent indicators, the main one being the group's IAS 19 general coordinating actuary curve, supplemented by a basket of high-quality corporate bonds from issuers in the Eurozone with comparable maturities.

## OPERATIONS HELD FOR SALE

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| AREVA TA | - | 40 |
| New NP | 324 | 395 |
| NewCo | 1,356 | 1,419 |
| **TOTAL *(*)*** | **1,680** | **1,854** |

** see Note 3*

**NOTE 13 - OTHER PROVISIONS**

**CONTINUING OPERATIONS**

| *(in millions of euros)* | **December 31, 2016** | Charges | Reversal (when risk has materialized) | Reversal (when risk has not materialized) | Other changes* | **June 30, 2017** |
|---|---|---|---|---|---|---|
| Restructuring and layoff plans | 2 | 1 | (2) | - | 3 | **5** |
| Provisions for losses at completion | 1,432 | 39 | (205) | - | - | **1,266** |
| Other | 625 | 226 | (18) | (13) | (165) | **656** |
| **TOTAL PROVISIONS** | **2,060** | **266** | **(224)** | **(13)** | **(162)** | **1,927** |

* Includes no unwinding

At December 31, 2016 and June 30, 2017, other provisions included in particular:

- provisions for disputes,
- provisions for contract risks,
- provisions for customer guarantees,
- provisions for tax risks,
- provisions for fines and penalties.

**PROVISIONS FOR LOSSES AT COMPLETION AND OTHER**

***ADWEN***

On January 5, 2017, AREVA sold its 50% interest in the Adwen company to Gamesa, which thus holds 100% of Adwen's shares as of that date.

In the share purchase agreement, AREVA and Gamesa agreed to give certain guarantees to Adwen. The amount of the guarantee given to Adwen by AREVA is capped. The guarantees mainly concern potential losses related to contracts in progress, in particular for the maintenance of the Alpha Ventus, GlobalTech One, Borkum West II and Wikinger wind farms, but also for disputes and claims related to operations prior to the establishment of Adwen. Thus, since the date that its 50% interest in Adwen was sold, AREVA has compensated for degradations of margins observed since the creation of the joint venture in March 2015 on supply contracts with the GlobalTech One and Borkum West II wind farms which were already funded by AREVA under agreements preceding the joint venture, as well as other claims related to previous operations. A provision had been set up for the combined total of these amounts in the AREVA financial statements at the end of 2016 and were recaptured proportionally.

An agreement was signed on July 18, 2017 between GlobalTech One, Adwen, AREVA and Gamesa to settle the balance of the decision pronounced on October 22, 2016 by the Dispute Adjudication Board (DAB), which sentenced Adwen to pay 80 million euros (excluding interest) to its customer for the delay in starting up the wind farm. At the end of 2016, and in order to secure the payment of the DAB award before it was due, GlobalTech One decided to draw on 37 bank performance guarantees issued by AREVA, which had reached their expiration date, in the amount of 38 million euros. The balance had been paid by AREVA. In connection with this agreement, GlobalTech One returned the amount of 38 million euros to AREVA. In return, AREVA and Adwen paid the amount of the DAB decision.

Since the end of 2015, all of the wind turbines in the GlobalTech One and Borkum West II wind farms have been covered by machine warranties and by contracts for maintenance by Adwen. For the GlobalTech One wind farm, 37 of the 80 turbines in service have still not received final acceptance from the customer. Discussions begun with GlobalTech One in mid-2016 to find a solution satisfactory to all parties were ongoing at June 30, 2017.

With respect to the guarantees given, on February 21, 2017 Adwen notified its two guarantors, AREVA and Gamesa, of quality issues identified on the fleet installed at GlobalTech One and Borkum West II, whose principal cause is presumed to be a deficiency in the main bearings. Technical and counter-factual analyses are still in progress since that date; no definitive and validated findings have been reported. Contractually, particularly with respect to GlobalTech One, while the probability of occurrence of a recurring defect is increasing, it had not been reported at June 30, 2017. In the absence of definitive findings, of an estimate of possible redress or of a quantitative estimate for the costs of necessary repairs, it was decided not to constitute an additional provision at June 30, 2017. Based on estimates from Adwen sent on February 21, which have not been updated by Adwen since then, the maximum exposure for AREVA in connection with the guarantees given is put at 70 million euros.

**Contract for construction of the Olkiluoto 3 EPR**

Construction of the Olkiluoto 3 EPR ("the project") made progress during the first half of 2017, meeting critical path milestones, although delays were recorded on subcritical tasks. The key milestones met were:

- open-vessel functional testing started on November 19, 2016 and was completed on January 13, 2017;
- training of TVO operators on the simulator began on February 6, 2017;
- cold functional testing began on June 5, 2017 and was completed on July 1, 2017.

The key short-term milestones until fuel loading are as follows:

- start of hot functional test sequences in the fourth quarter of 2017;
- receipt of the Operating License Granting (OLG) at the end of 2017;
- fuel loading in the second quarter of 2018.

The project is entering the integrated testing phase leading to fuel loading in the reactor and requires strong operational commitment by TVO. Its involvement in maintaining the schedule until connection to the grid has never been more necessary.

Uncertainties remain as to the end of the project. On the one hand, from a contractual standpoint, TVO continues to limit itself to a strict interpretation of the contract. For example, TVO rejects any gradual handover of responsibility which future operational constraints could require, particularly those related to nuclear commissioning, which starts with fuel loading.

In addition, the principal stumbling block concerns methods of finalizing the project in connection with the restructuring undertaken by AREVA, in particular concerning the operational and financial resources allocated to the project. In the absence of agreement and as expressly requested by TVO, the project must remain unchanged in its contractual form.

On the accounting level and in this context, AREVA considers that it does not have the ability to assess the cost of the program at completion with sufficient reliability, and in particular the reactor start-up test phases, especially those which begin with fuel loading in the reactor, since TVO is officially the nuclear operator of the Olkiluoto 3 nuclear reactor as from that date. The valuation of the cost of these test phases, which will last until the completion of the project, remains highly dependent on the degree of the customer's cooperation and compliance with its operational obligations. This cost category is termed "undiscernible".

However, except for the costs identified above, AREVA is still able to assess the amount of the costs to be incurred to complete the reactor's construction. These types of costs are called "reliable".

In this context, and in accordance with the provisions of paragraph 32 of IAS 11, AREVA stopped recognizing the revenue and costs of the project based on its percentage of completion. It now uses the following recognition methods:

- Revenue recognized for the contract is frozen at the level of the amount reached at June 30, 2013.
- Contract costs are recorded in expenses as they are incurred; only costs in the "reliable" categories which effectively contribute to the reactor's physical completion are charged against the provision for losses at completion pertaining to the contract; they totaled 200 million euros for the first half of 2017.
- For the first half of 2017, operating costs at completion rose 35 million euros in connection with net excess costs expected in the coming months.
- In view of the difficulty of accurately estimating the reactor commissioning test phases (and in particular the phase involving fuel loading in the reactor, which is highly dependent on TVO's actions), a return to recognizing revenue from the project based on the percentage of completion method will not be considered before the second half of 2017 or even the first half of 2018.
- If the existing uncertainties as to the end of the project are dispelled, AREVA will then resume recognition of the OL3 contract in accordance with the percentage of completion method, which will lead to an adjustment of revenue as a function of the project's percentage of completion.

In addition, on the legal level, the pre-trial investigation phase of the arbitration proceeding initiated against TVO in 2008 by the AREVA-Siemens consortium for delays and disruptions suffered in connection with contract execution and the resulting extra costs ("D&D Claim") continues. The AREVA-Siemens consortium continues to exercise its rights in connection with the arbitration proceeding.

The consortium’s claim for compensation for damages, updated at June 30, 2017, concerns a total amount of 3.7 billion euros. TVO’s claim against the consortium, which was updated on June 30, 2017, amounts to approximately 2.6 billion euros. The consortium and its counsel still believe that the allegations of intentional gross negligence set out by TVO in its claim against the consortium remain unfounded.

In accordance with the schedule for the arbitral proceeding and after a preliminary partial decision was rendered in July 2012, the arbitration tribunal rendered a second partial decision on November 7, 2016. This second partial decision allows some of TVO’s requests; the third is in favor of TVO’s position. However, these last two partial decisions do not constitute a ruling on TVO’s allegations against the consortium of a serious or intentional offence, nor on the financial outcome of the dispute between the parties. Another interim decision is expected before the final decision, which is still expected in late 2017 at the earliest and more likely in early 2018.

## OPERATIONS HELD FOR SALE

| *(in millions of euros)* | **December 31, 2016** | Charge* | Reversal (when risk has materialized) | Reversal (when risk has not materialized) | Other changes | **June 30, 2017** |
|---|---|---|---|---|---|---|
| AREVA TA | 130 | 2 | (7) | - | (124) | **-** |
| New NP | 658 | 71 | (135) | (20) | (4) | **571** |
| NewCo | 2,006 | 146 | (71) | (141) | 37 | **1,975** |
| **TOTAL PROVISIONS *(**)*** | **2,794** | **219** | **(213)** | **(161)** | **(91)** | **2,547** |

* Includes unwinding of 36 million euros

*(**) see Note 3*

### PROVISIONS FOR LOSSES AT COMPLETION

**EDF contracts *(New NP)***

The discovery of high concentrations of carbon in the channel heads of steam generators in EDF’s fleet gave rise in 2016 to a significant program of inspections, testing and analysis to demonstrate the suitability for service of those components and to recommend strengthened manufacturing processes to ASN guaranteeing that these phenomena are under control. The channel heads concerned are mainly subcontracted parts and are not forged at Creusot. The analyses provided in 2016 enabled the restart of the reactors in the EDF fleet.

Channel heads manufactured at Creusot after January 23, 2011 which had not yet received a certificate of compliance will be replaced by new channel heads. The replacement of the three channel heads concerned, for which a provision was set up in the cost of the corresponding projects, was approved by the Pressurized Nuclear Equipment Department (DEP). The first channel head was removed on June 20, 2017, the second on July 7. Delivery of the steam generators to Cruas is scheduled for May 2021.

For channel heads prior to January 23, 2011 – 26 JCFC channel heads and 20 channel heads manufactured at Creusot – all of the work of the assessment program was reevaluated with EDF. As part of the EDF-AREVA NP memorandum of understanding signed on January 24, 2017, a preliminary proposal was submitted to EDF-Ceidre on June 2, 2017 concerning the carbon segregation in the steel of the primary channel heads of steam generators manufactured by JCFC. Proposals concerning the channel heads of steam generators manufactured by Creusot and the “high carbon” program will be sent to EDF before the end of July.

### PROVISIONS FOR CONTRACT COMPLETION *(NewCo)*

The provisions for remaining work cover a set of future services to be carried out at the la Hague and MELOX sites (Recycling Business Unit) and the Tricastin and Malvési sites (Chemistry-Enrichment Business Unit) in connection with contracts for which obligations to the customers have been met and the revenue recognized, and the costs of future services have been expensed in offset to that provision. For the Recycling Business Unit, the services mainly concern work to retrieve, process, package, ship and dispose of technological waste related to MOX fabrication or to the pool storage of used fuel; for the Chemistry-Enrichment Business Unit, they concern work involving nitrate effluent and dust treatment. At June 30, 2017, these future services amounted to 721 million euros for the Recycling Business Unit and 486 million euros for the Chemistry-Enrichment Business Unit (compared with 693 million euros and 473 million euros respectively at December 31, 2016).

**OTHER PROVISIONS**

**Supply and services contract with ETC *(NewCo)***

In December 2015, a provision for a contract shortfall of 40 million euros was set aside by Société d'Enrichissement du Tricastin) following the signature of the "6K CSA" agreement between ETC and SET in September 2014. The contract called for purchases of supplies and minimum services for centrifuges which each customer agreed to purchase from ETC, enabling centrifuge production, assembly, installation and maintenance skills to be maintained at ETC.
In June 2017, a new agreement was signed for the 2017-2024 period which reduces these "take or pay" purchases for SET.

At the end of June 2017, SET recognized a provision reversal of 12 million euros related to the recognition of costs incurred in connection with the 6K CSA contract at that date, as well as a provision reversal of 17 million euros related to the favorable impact of the renegotiation.

**Creusot quality initiative *(New NP)***

**Quality action plan concerning AREVA NP**

A provision was included in the project's costs to completion for the costs to replace the upper part of the Gravelines 5 steam generator (see Note 1).

## NOTE 14 - BORROWINGS

### CONTINUING OPERATIONS

| *(in millions of euros)* | Non-current borrowings | Current borrowings | June 30, 2017 | December 31, 2016 |
|---|---|---|---|---|
| Shareholder loan | - | 2,015 | **2,015** | - |
| Borrowings from lending institutions and commercial paper | - | 1,315 | **1,315** | 2,065 |
| Short-term bank facilities and non-trade current accounts (credit balances) | - | 11 | **11** | 6 |
| Financial derivatives | 61 | 1 | **63** | 108 |
| Miscellaneous borrowings | 3 | - | **3** | 2 |
| **Total Borrowings** | **64** | **3,342** | **3,406** | **2,182** |

Borrowings from lending institutions and commercial paper at June 30, 2017 include:
- a draw on a line of credit in the amount of 50 million euros, repayable in October 2017;
- the draw on the syndicated line of credit in the amount of 1.250 billion euros maturing in January 2018.

**GUARANTEES AND SPECIAL CLAUSES**

As security, on behalf of New AREVA Holding, AREVA SA has committed to guaranteeing the redemption of all bond issues contributed to New AREVA Holding and to guaranteeing the derivatives of New AREVA Holding with banking counterparties. At June 30, 2017, the carrying amount of New AREVA Holding's bond debt was 4.927 billion euros. These guarantees will end once the capital increase of New AREVA Holding has been carried out in the amount of at least 3 billion euros or, for the guarantee concerning the bond issues, once they have been redeemed.

In June 2014, AREVA SA gave a parent company guarantee to a banking pool to secure the redemption of the amortized loan of Société d'Enrichissement du Tricastin. The parent company guarantee covers 115% of the remaining amount outstanding of the loan, for which the carrying amount was 527 million euros at June 30, 2017. Within the framework of the partial contribution of assets from AREVA SA to New AREVA Holding, SET's bank borrowings and related security (security interests in future receivables and bank accounts) were transferred to New AREVA Holding, with the exception of the parent company guarantee, which remains in effect until the completion of the New AREVA Holding capital increase in the amount of at least 3 billion euros (except in the event of prior release according to the contract conditions).

In March 2017, AREVA SA concluded senior secured bridge financing of 300 million euros with its banking partners with a maturity date of January 8, 2018; it was undrawn at June 30, 2017. Draws on this financing are conditioned on the French State's subscription to the AREVA SA and New AREVA Holding capital increases. In addition to the standard default and early redemption clauses in the event that a predefined event should occur, a default clause is provided in the event that certain contractual risks associated with AREVA SA's operations were to materialize above a certain threshold.

**BANKING COVENANTS**

There were no other significant financial commitments including financial covenants at June 30, 2017.

## OPERATIONS HELD FOR SALE

| *(in millions of euros)* | **June 30, 2017** | **December 31, 2016** |
|---|---|---|
| AREVA TA | - | 1 |
| New NP | 1 | 5 |
| NewCo | 5,876 | 5,873 |
| **TOTAL *(*)*** | **5,877** | **5,879** |

** see Note 3*

At June 30, 2017, NewCo's borrowings included in particular:

- bond debt outstanding in the carrying amount of 4.927 billion euros;
- a redeemable syndicated loan from 10 banks maturing in 2024 in the amount of 527 million euros at June 30, 2017 (initial amount of 650 million euros).

**BOND ISSUES**

| Issue date | Balance sheet value *(in millions of euros)* | Currency | Nominal *(in currency millions)* | Nominal rate | Term |
|---|---|---|---|---|---|
| *Sept-23-09* | 1,028 | *EUR* | 1,000 | *4.88%* | *September 2024* |
| *Nov-06-09* | 765 | *EUR* | 750 | *4.38%* | *November 2019* |
| *Sept-22-10* | 765 | *EUR* | 750 | *3.50%* | *March 2021* |
| *Oct-05-11* | 398 | *EUR* | 398 | *4.63%* | *October 2017* |
| *Mar-14-12* | 400 | *EUR* | 400 | *4.63%* | *October 2017* |
| *Apr-04-12* | 199 | *EUR* | 200 | *TEC10+2.125%* | *March 2022* |
| *Sept-04-13* | 526 | *EUR* | 500 | *3.25%* | *September 2020* |
| *Sept-20-13* | 63 | *JPY* | 8,000 | *1.16%* | *September 2018* |
| *Mar-20-14* | 784 | *EUR* | 750 | *3.13%* | *March 2023* |
| ***Total*** | **4,927** | | | | |

**BANKING COVENANTS**

The redeemable syndicated loan in the amount of 527 million euros at June 30, 2017 and maturing in June 2024 is backed by certain future revenue from the Georges Besse II enrichment plant. It includes security interests in future receivables and bank accounts, and it contains a covenant allocating cash flows produced by the asset to debt service, which subordinates payments to New AREVA Holding (dividends and internal loan repayments) from Société d’Enrichissement du Tricastin.

## NOTE 15 - ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

**Financial assets by category**

| **ASSETS** *(in millions of euros)* | **Balance sheet value** | **Non-financial assets and liabilities** | **Loans and receivables** | **Fair value recognized in profit or loss** | **Assets available for sale** | **Assets held to maturity** | **Derivatives** | **Fair value of financial assets** |
|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | **242** | **32** | **209** | | | | | **210** |
| Goodwill on consolidated companies | | | | | | | | |
| Intangible assets | 1 | 1 | | | | | | |
| Property, plant and equipment | 17 | 17 | | | | | | |
| End-of-lifecycle assets (third party share) | | | | | | | | |
| Assets earmarked for end-of-lifecycle operations | | | | | | | | |
| Investments in joint ventures and associates | 9 | 9 | | | | | | |
| Other non-current financial assets | 212 | 3 | 209 | | | | | 210 |
| Deferred tax assets | 3 | 3 | | | | | | |
| **Current assets** | **29,075** | **27,460** | **728** | **870** | | | **18** | **1,616** |
| Inventories and work-in-process | 5 | 5 | | | | | | |
| Trade accounts receivable and related accounts | 157 | 137 | 21 | | | | | 21 |
| Other operating receivables | 276 | 238 | 26 | | | | 12 | 38 |
| Current tax assets | 23 | 23 | | | | | | |
| Other non-operating receivables | 6 | 5 | 1 | | | | | 1 |
| Cash and cash equivalents | 1,421 | | 551 | 870 | | | | 1,421 |
| Other current financial assets | 135 | | 129 | | | | 6 | 135 |
| Assets and operations held for sale | 27,052 | 27,052 | | | | | | |
| **Total assets** | **29,317** | **27,492** | **937** | **870** | | | **18** | **1,826** |

The table hereunder shows the breakdown into levels of financial instruments estimated at their fair value by income and equity:

Level 1: Valuation based on quoted market prices in an active market
Level 2: In the absence of quoted market prices in an active market, valuation based on readily observable market inputs related to that asset or liability
Level 3: Valuation based on criteria that cannot be readily observed.

| *(in millions of euros)* | **Level 1** | **Level 2** | **Level 3** | **TOTAL** |
|---|---|---|---|---|
| **Current assets** | **870** | **18** | | **888** |
| Other operating receivables | | 12 | | 12 |
| Cash and cash equivalents | 870 | | | 870 |
| Other current financial assets | | 6 | | 6 |
| **Total assets** | **870** | **18** | | **888** |

**Financial liabilities by category**

| **LIABILITIES AND EQUITY** *(in millions of euros)* | **Balance sheet value** | **Non-financial assets and liabilities** | **Liabilities at amortized cost** | **Fair value recognized in profit or loss** | **Derivatives** | **Fair value of financial liabilities** |
|---|---|---|---|---|---|---|
| **Equity and minority interests** | **(2,761)** | **(2,761)** | | | | |
| Capital | 96 | 96 | | | | |
| Consolidated premiums and reserves | (2,687) | (2,687) | | | | |
| Actuarial gains and losses on employee benefits | (304) | (304) | | | | |
| Deferred unrealized gains and losses on financial instruments | 315 | 315 | | | | |
| Currency translation reserves | (73) | (73) | | | | |
| Minority interests | (108) | (108) | | | | |
| **Non-current liabilities** | **68** | **4** | **3** | | **61** | **64** |
| Employee benefits | 4 | 4 | | | | |
| Provisions for end-of-lifecycle operations | | | | | | |
| Other non-current provisions | | | | | | |
| Share in negative net equity of joint ventures and associates | | | | | | |
| Long-term borrowings | 64 | | 3 | | 61 | 64 |
| Deferred tax liabilities | | | | | | |
| **Current liabilities** | **32,011** | **28,327** | **3,669** | | **14** | **3,683** |
| Current provisions | 1,927 | 1,927 | | | | |
| Short-term borrowings | 3,342 | | 3,340 | | 1 | 3,342 |
| Advances and prepayments received | 42 | 42 | | | | |
| Trade accounts payable and related accounts | 227 | 6 | 221 | | | 221 |
| Other operating liabilities | 150 | 31 | 106 | | 13 | 119 |
| Current tax liabilities | | | | | | |
| Other non-operating liabilities | 2 | | 2 | | | 2 |
| Liabilities of operations held for sale | 26,321 | 26,321 | | | | |
| **Total liabilities and equity** | **29,317** | **25,570** | **3,672** | | **76** | **3,748** |

| *(in millions of euros)* | **Level 1** | **Level 2** | **Level 3** | **TOTAL** |
|---|---|---|---|---|
| **Non-current liabilities** | | **61** | | **61** |
| Long-term borrowings | | 61 | | 61 |
| **Current liabilities** | | **14** | | **14** |
| Short-term borrowings | | 1 | | 1 |
| Other operating liabilities | | 13 | | 13 |
| **Total liabilities** | | **76** | | **76** |

## NOTE 16 - TRANSACTIONS WITH RELATED PARTIES

Transactions between the parent company and its consolidated subsidiaries, which are related parties, were eliminated on consolidation and are not presented in this note.

Transactions between the group and the CEA are as follows:

| *(in millions of euros)* | CEA | |
|---|---|---|
| | **June 30, 2017** | **December 31, 2016** |
| Sales | 265 | 555 |
| Purchases | 8 | 68 |
| Loans to/receivables from related parties | 919 | 985 |
| Borrowings from related parties | 264 | 233 |

Transactions between the continuing operations and the CEA are as follows:

| *(in millions of euros)* | CEA | |
|---|---|---|
| | **June 30, 2017** | **December 31, 2016** |
| Sales | - | - |
| Purchases | 0 | 0 |
| Loans to/receivables from related parties | - | - |
| Borrowings from related parties | 18 | 18 |

**Relations with government-owned companies**

The group has business relationships with government-owned companies, in particular EDF and the CEA (Commissariat à l'énergie atomique et aux énergies alternatives).

Transactions with EDF concern the front end of the nuclear fuel cycle (uranium sales; conversion, enrichment and fuel fabrication services); the back end of the cycle (used fuel transportation, storage, treatment and recycling services); power plant maintenance; and equipment sales.

Transactions with the CEA concern the dismantling of the CEA's nuclear facilities; engineering services for the design and construction of the CEA's research reactors and related operating support; and the provision of studies and research work. In addition, AREVA pays royalties to the CEA for the use of its used nuclear fuel reprocessing processes.

The group also provides services to the CEA, including studies, research, and cleanup and dismantling services, and has two contracts for the design and construction of an experimental reactor.

## NOTE 17 - COMMITMENTS GIVEN OR RECEIVED

### CONTINUING OPERATIONS

| *(in millions of euros)* | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **COMMITMENTS GIVEN** | **443** | **1,058** |
| Operating commitments given | *174* | 587 |
| • *Contract guarantees given* | *172* | *585* |
| • *Other operating guarantees* | *2* | *2* |
| Commitments given on financing | 262 | 460 |
| Other commitments given | 7 | 11 |
| **COMMITMENTS RECEIVED** | **235** | **344** |
| Operating commitments received | 151 | 262 |
| Commitments received on collateral | 70 | 50 |
| Other commitments received | 15 | 32 |
| **RECIPROCAL COMMITMENTS** | **95** | **114** |

The above amounts do not include off-balance-sheet commitments of operations sold, discontinued or held for sale; they do not include construction contracts for which the group is currently in negotiations.

**Commitments given**

The group gave a parent company guarantee to its customer TVO for the execution of contractual obligations for the construction of an EPR in Finland. The group received a counter guarantee from Siemens in the amount of its share in the contract with TVO. The commitment given by the group corresponds to the amount of the contract, unless TVO succeeds in demonstrating the existence of a serious and intentional offence by the supplier. TVO has called on this guarantee several times, and the group has rejected these calls.  No value concerning these guarantees was included in the previous table.

**Reciprocal commitments**

In January 2013, the group set up a 1.25-billion-euro syndicated line of credit available in euros over a 5-year period. This facility was drawn in early 2016 and will be reimbursed no later than its maturity date in January 2018. At June 30, 2017, the group also had a drawn bilateral line of credit in the amount of 50 million euros maturing in October 2017.

On March 28, 2017, the group signed a bridge loan with a pool of 11 banks in the amount of 300 million euros maturing in January 2018 designed to fund a potential need for liquidity between the time of the capital increases and the sale of New NP to EDF.

### OPERATIONS HELD FOR SALE

| *(in millions of euros)* | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **Commitments given** | | |
| New NP | 1,154 | 1,480 |
| NewCo | 302 | 289 |
| Other operations | - | 29 |
| **Sub-total** | **1,456** | **1,798** |
| **Commitments received** | | |
| New NP | 1,971 | 1,904 |
| NewCo | 109 | 111 |
| Other operations | - | 9 |
| **Sub-total** | **2,079** | **2,023** |
| **Reciprocal commitments** | | |
| New NP | 391 | 409 |
| NewCo | 312 | 251 |
| Other operations | - | 2 |
| **Sub-total** | **703** | **661** |

## NOTE 18 - POTENTIAL LITIGATION AND LIABILITIES

### Olkiluoto 3 EPR power plant (OL3)

On December 5, 2008, the AREVA-Siemens consortium initiated an arbitration proceeding with the International Court of Arbitration of the International Chamber of Commerce (ICC) for delays and disruptions suffered in connection with contract performance and for the resulting additional costs incurred ("D&D Claim"). In July 2012, the court of arbitration rendered a preliminary partial decision enjoining TVO to release 100 million euros plus interest due to the AREVA-Siemens consortium and withheld in contravention of the contractual provisions. That decision was duly executed by TVO.

At June 30, 2017, after eight years of legal proceedings (exchanges of briefs by the parties and audiences with the court of arbitration), the parties' respective claims amounted to approximately 3.7 billion euros for the consortium (on sections 1 and 2 of its claim covering the start of the project to February 2014) and 2.6 billion euros for TVO.

In accordance with the schedule for the arbitration proceeding, substantive hearings on the dispute took place over the course of 2016 and gave rise in the second part of the year to expert statements through witness depositions.
The court of arbitration rendered a second partial decision on November 7, 2016, followed by a third partial decision dated July 10, 2017. This second partial decision allows some of TVO's requests; the third is in favor of TVO's position. However, these last two partial decisions do not constitute a ruling on TVO's allegations against the consortium of serious or intentional offence, nor on the financial outcome of the dispute between the parties.

Another interim decision is expected before the final decision, which will occur in late 2017 at the earliest and more likely in early 2018.

In addition, the consortium and its counsel consider that the allegations of serious/intentional offence made in TVO's counterclaim remain unfounded.

**BIOENERGY OPERATIONS**

In an unfavorable market environment and with no possibility for its sale, it was decided in April 2015 to terminate the Bioenergy Europe operations. Similarly, following inconclusive discussions with potential buyers in 2015, the decision was made on February 22, 2016 to terminate the Bioenergy Asia and Bioenergy Brazil operations. The Bioenergy operations are to be gradually phased out while meeting AREVA's contractual commitments, in particular upon completion of the Commentry project in France.

Nevertheless, following the announced discontinuation of Bioenergy Brazil operations, various claims were made against the Bioenergy Brazil entity. In view of the developments of the first half of 2017, no additions to the provisions set up in December 2016 were deemed necessary.

**The Creusot quality audit *(New NP)***

Following the announcement in late April that documentary anomalies had been found in the follow-up of equipment manufacturing processes at the Creusot plant, an audit is currently being conducted of all of the manufacturing files.

The review of these files was ongoing at the end of July 2017. For the operating reactors in particular, error reports were systematically constituted when the review of these files revealed irregularities.

Complaints were filed with the Tribunal de Grande Instance de Paris (High Court of Paris) concerning some of these anomalies, in particular by the NGO Greenpeace.

Moreover, pursuant to article 40 of the French Code of Criminal Procedure, the Chairman of ASN referred the matter of "irregularities" in the part manufacturing files at AREVA NP's Creusot plant to the State Prosecutor in October 2016. According to a judicial source, a preliminary investigation was opened by the public health section of the public prosecutor's office of Paris pursuant to this referral.

This situation could lead to other civil or penal implications, both in France and abroad.

**PALUEL 2 *(New NP)***

On March 31, 2016, a steam generator fell during handling in reactor building 2 of the Paluel nuclear power station.
ASN conducted an inspection concerning this event on April 7, 2016.
After this event, a court-ordered appraisal was initiated by EDF to determine its circumstances and the potential liability of the members of the consortium in charge of steam generator handling, consisting of AREVA NP and other companies.
The court-ordered appraisal report is expected at the end of October 2017.

**RETIREES OF CREUSOT LOIRE *(New NP)***

Natural persons claiming to be former employees of the Creusot-Loire company (former subsidiary of Framatome, now AREVA NP) and the Association for the defense of retirees of Creusot-Loire have appealed the decision of the Tribunal de Grande Instance de Nanterre (High Court of Nanterre) of November 7, 2013 declaring their requests for indemnification inadmissible because they have lapsed. The appellants requested that the Court of Appeals of Versailles revoke the disputed decision in its entirety and that it sentence AREVA NP to pay them damages for the loss they claim to have suffered as a consequence of the allegedly incorrect valuation by AREVA NP of the interest previously held by the Creusot-Loire company in Framatome and taken over from Creusot-Loire by Framatome in 1985 in connection with the official receivership proceeding of the former.

AREVA believes that these claims will not do any better on appeal than in the first instance, in view of their lapsing and the weakness of the legal arguments developed by the appellants.

**URAMIN**

Following the preliminary inquiry led by the French national financial prosecutor's office, two judicial inquiries against persons unknown were opened concerning the conditions of the acquisition of UraMin on the one hand, and the presentation of the company's financial statements from 2009 to 2012 following this purchase on the other hand.

In response to the subpoena received from the court in December 2015, AREVA SA brought an independent action for damages in connection with the investigation of the UraMin acquisition.

**CFMM *(NewCo)***

A petition for arbitration was filed with the International Court of Arbitration of the International Chamber of Commerce (ICC) on July 28, 2014 by Mr. George Arthur Forrest in his own name and in the name of the company AREVEXPLO RCA against the company CFMM, a subsidiary of AREVA Mines. The petitioners contested the decision to liquidate the company AREVEXPLO RCA made during the General Meeting of Shareholders of June 24, 2013. CFMM had submitted counterclaims in response to this petition. The Court of Arbitration had split the arbitration into two parts: it was to reach a decision first on the matter of the mismanagement of CFMM, the nullity of the resolution of the shareholders of AREVEXPLO RCA of June 24, 2013, and the counterclaim of CFMM (Part 1), then, as applicable, in the event of an offence by CFMM, on the matter of damages (Part 2).

The hearing on the merits of Part 1 was held on March 21 and 22, 2017.

Under the terms of the final decision rendered on July 21, 2017 by the Court of Arbitration of the ICC on Part 1, Mr. Georges Arthur Forrest's claims against CFMM were rejected in their entirety. CFMM's counterclaim for abuse of process was dismissed. Mr. Forrest was nonetheless sentenced to reimburse 65,000 dollars to CFMM, representing part of the administrative expenses and fees of the arbitrators.

**GADOULLET**

On October 6, 2016, Mr. Jean-Marc Gadoullet summoned the AREVA SA company before the Tribunal de Grande Instance de Nanterre (High Court of Nanterre) with a view to obtaining payment for compensation he claims to be due for services he says he rendered to the AREVA group in Niger between September 2010 and October 2013. AREVA considers Mr. Gadoullet's claims to be unfounded and has contested, from the outset, the competence of the Tribunal de Grande Instance to look into them. The decision on this abuse of process is expected in the first quarter of 2018.

**Other investigations**

The company is also aware of the existence of preliminary investigations being led by the National Financial Prosecutor's office (among others, concerning the employee shareholding mentioned in the 2016 Reference Document). Since these investigations are being carried out in connection with legal proceedings against parties unknown, AREVA is not currently implicated.

## NOTE 19 - EVENTS SUBSEQUENT TO YEAR-END CLOSING

**Signature of binding agreements with strategic investors for the acquisition of an equity stake in New NP**

On July 7, 2017, binding agreements were signed for the acquisition of an equity stake in New NP by:

- Mitsubishi Heavy Industries, for an interest of from 15% to 19.5%;
- Assystem, for a 5% stake.

The signature of these agreements is in line with the signature by AREVA, AREVA NP and EDF of the share purchase agreement on November 15, 2016 setting the terms and conditions for the sale of a 51% to 75% interest in the share capital of New NP to EDF, giving EDF exclusive control of that entity, initially wholly owned by AREVA NP, after which discussions were held with strategic investors having confirmed their interest, culminating in the submittal of bids and the signature of binding agreements for the acquisition of a stake in New NP's share capital alongside EDF.

As minority interests, these investors will benefit from all of the immunization mechanisms, guarantees and conditions negotiated with EDF provided in the share purchase agreement signed on November 16, 2016 in proportion to their equity interest.

These different transactions were submitted to the AREVA Board of Directors for their opinion, and the minority interests did the same in accordance with their rules of governance.

The acquisition of a stake in the capital of New NP by EDF and these third-party investors will occur simultaneously, with completion of the New NP sales transaction expected on December 31, 2017.

**AREVA SA capital increase**

The French State participated in the reserved capital increase of AREVA SA in the amount of 2 billion euros on July 12, 2017 (see Note 1).

**New AREVA Holding capital increase**

The French State participated in the reserved capital increase of New AREVA Holding in the amount of 2.5 billion euros on July 26, 2017 (see Note 1).

**NOTE 20 - TRANSITION OF 2016 REPORTED FINANCIAL STATEMENTS TO 2016 RESTATED FINANCIAL STATEMENTS FOLLOWING ADOPTION OF IFRS 5**

**Transition of income statement as reported to restated income statement**

| *(in millions of euros)* | **1st half 2016 Reported** | *NewCo IFRS 5* | **1st half 2016 Restated** |
|---|---|---|---|
| **Revenue** | **1,930** | **(1,929)** | **2** |
| Other income from operations | 2 | (2) | 0 |
| Cost of sales | (1,613) | 1,515 | (98) |
| **Gross margin** | **320** | **(416)** | **(96)** |
| Research and development expenses | (55) | 47 | (8) |
| Marketing and sales expenses | (23) | 23 | 0 |
| General and administrative expenses | (104) | 34 | (71) |
| Other operating expenses | (262) | 236 | (26) |
| Other operating income | 210 | (11) | 199 |
| **Operating income** | **86** | **(88)** | **(2)** |
| Share in net income of joint ventures and associates | (11) | (2) | (14) |
| **Operating income after share in net income of associates and joint ventures** | **74** | **(90)** | **(16)** |
| Income from cash and cash equivalents | 14 | (11) | 3 |
| Gross borrowing costs | (178) | 146 | (33) |
| **Net borrowing costs** | **(165)** | **135** | **(30)** |
| Other financial expenses | (321) | 304 | (17) |
| Other financial income | 262 | (254) | 8 |
| **Other financial income and expenses** | **(58)** | **50** | **(9)** |
| **Net financial income** | **(223)** | **185** | **(38)** |
| **Income tax** | **(45)** | **45** | **0** |
| **Net income after tax from continuing operations** | **(194)** | **140** | **(54)** |
| Net income after tax from operations sold, discontinued or held for sale | 7 | (140) | (133) |
| **Net income** | **(187)** | **0** | **(187)** |
| Including: | | | |
| Group: | | | |
| Net income from continuing operations | (124) | 70 | (54) |
| Net income from operations sold, discontinued or held for sale | 4 | (70) | (66) |
| **Net income attributable to owners of the parent** | **(120)** | **-** | **(120)** |
| Minority interests: | | | |
| Net income from continuing operations | (70) | 70 | 0 |
| Net income from operations sold, discontinued or held for sale | 3 | (70) | (67) |
| **Net income attributable to minority interests** | **(67)** | **-** | **(67)** |

**Transition from statement of comprehensive income as reported to restated statement of comprehensive income**

| *(in millions of euros)* | **1st half 2016 Reported** | *NewCo IFRS 5* | **1st half 2016 Restated** |
|---|---|---|---|
| **Net income** | **(187)** | **-** | **(187)** |
| **Items not recyclable to the income statement** | **(152)** | **-** | **(152)** |
| Actuarial gains and losses on the employee benefits of consolidated companies | (96) | 98 | 2 |
| Income tax related to non-recyclable items | (1) | 1 | 0 |
| Share in non-recyclable items from joint ventures and associates, net of tax | (11) | 11 | 0 |
| Non-recyclable items related to operations sold, discontinued or held for sale, net of tax | (44) | (110) | (154) |
| **Items recyclable to the income statement** | **(184)** | **-** | **(184)** |
| Currency translation adjustments of consolidated companies | 52 | (52) | 0 |
| Change in value of available-for-sale financial assets | (347) | 347 | 0 |
| Change in value of cash flow hedges | 113 | (113) | 0 |
| Income tax related to recyclable items | (15) | 15 | 0 |
| Share in recyclable items from joint ventures and associates, net of tax | - | - | - |
| Recyclable items related to operations sold, discontinued or held for sale, net of tax | 14 | (198) | (184) |
| **Total other items of comprehensive income (net of income tax)** | **(336)** | **-** | **(336)** |
| **Comprehensive income** | **(523)** | **-** | **(523)** |
| - Attributable to equity owners of the parent | (494) | | (494) |
| - Attributable to minority interests | (29) | | (29) |

**Transition from statement of cash flows as reported to restated statement of cash flows**

| *(in millions of euros)* | 1st half 2016 Reported | *NewCo IFRS 5* | 1st half 2016 Restated |
|---|---|---|---|
| **Net income for the period** | **(187)** | - | **(187)** |
| Less: income from operations sold, discontinued or held for sale | (7) | 140 | 133 |
| **Net income from continuing operations** | **(194)** | **140** | **(54)** |
| (Profit) / loss of joint ventures and associates | 11 | 2 | 14 |
| Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months | 544 | (518) | 26 |
| Goodwill impairment | | | |
| Net increase in (reversal of) provisions | (415) | 28 | (387) |
| Net effect of unwinding of assets and provisions | 230 | (230) | 0 |
| Income tax expense (current and deferred) | 45 | (45) | 0 |
| Net interest included in borrowing costs | 165 | (135) | 30 |
| Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value | (44) | 46 | 2 |
| Other non-cash items | 12 | (7) | 5 |
| Dividends from joint ventures and associates | | | |
| **Cash flow from operations before interest and taxes** | **355** | **(719)** | **(364)** |
| Net interest received (paid) | (58) | 50 | (8) |
| Income tax paid | (62) | 101 | 38 |
| **Cash flow from operations after interest and tax** | **234** | **(568)** | **(334)** |
| Change in working capital requirement | (160) | 239 | 79 |
| **NET CASH FROM OPERATING ACTIVITIES** | **75** | **(330)** | **(255)** |
| Investment in PP&E and intangible assets | (276) | 268 | (8) |
| Loans granted and acquisitions of non-current financial assets | (533) | 531 | (2) |
| Acquisitions of shares of consolidated companies, net of acquired cash | | | |
| Disposals of PP&E and intangible assets | 14 | (14) | |
| Loan repayments and disposals of non-current financial assets | 515 | (476) | 39 |
| Disposals of shares of consolidated companies, net of disposed cash | | | |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(281)** | **310** | **29** |
| Share issues in the parent company and share issues subscribed by minority shareholders in consolidated subsidiaries | | | |
| Treasury shares sold/(acquired) | | | |
| Transactions with minority interests | | | |
| Dividends paid to minority shareholders of consolidated companies | (37) | 37 | |
| Increase in borrowings | 2,051 | (62) | 1,989 |
| **NET CASH USED IN FINANCING ACTIVITIES** | **2,014** | **(26)** | **1,989** |
| (Increase) decrease in securities recognized at fair value through profit and loss | | | |
| Impact of foreign exchange movements | 10 | (12) | (1) |
| **NET CASH FROM OPERATIONS SOLD, DISCONTINUED OR HELD FOR SALE** | **(529)** | **57** | **(472)** |
| **CHANGE IN NET CASH** | **1,289** | | **1,289** |
| **Net cash at the beginning of the year** | **745** | | **745** |
| **Net cash at the end of the year** | **2,034** | | **2,034** |

## NOTE 21 - TRANSITION OF 2016 REPORTED FINANCIAL STATEMENTS TO 2016 RESTATED FINANCIAL STATEMENTS FOLLOWING ADOPTION OF IAS 8

### Transition of income statement as reported to restated income statement

| *(in millions of euros)* | **2016 Reported** | *IAS 8* | **2016 Restated** |
|---|---|---|---|
| **Revenue** | **10** | **-** | **10** |
| Other income from operations | 1 | | 1 |
| Cost of sales | (419) | | (419) |
| **Gross margin** | **(408)** | **-** | **(408)** |
| Research and development expenses | (13) | | (13) |
| Marketing and sales expenses | (9) | | (9) |
| General and administrative expenses | (126) | | (126) |
| Other operating expenses | (80) | | (80) |
| Other operating income | 195 | | 195 |
| **Operating income** | **(442)** | **-** | **(442)** |
| Share in net income of joint ventures and associates | (14) | | (14) |
| **Operating income after share in net income of associates and joint ventures** | **(456)** | **-** | **(456)** |
| Income from cash and cash equivalents | 38 | | 38 |
| Gross borrowing costs | (111) | | (111) |
| **Net borrowing costs** | **(73)** | | **(73)** |
| Other financial expenses | (33) | | (33) |
| Other financial income | 38 | | 38 |
| **Other financial income and expenses** | **5** | | **5** |
| **Net financial income** | **(68)** | **-** | **(68)** |
| **Income tax** | **118** | | **118** |
| **Net income after tax from continuing operations** | **(405)** | **-** | **(405)** |
| Net income after tax from operations sold, discontinued or held for sale | (365) | 17 | (348) |
| **Net income** | **(770)** | **17** | **(753)** |
| Including: | | | |
| Group: | | | |
| Net income from continuing operations | (405) | | (405) |
| Net income from operations sold, discontinued or held for sale | (260) | 17 | (243) |
| **Net income attributable to owners of the parent** | **(665)** | 17 | **(648)** |
| Minority interests: | | | |
| Net income from continuing operations | 0 | | 0 |
| Net income from operations sold, discontinued or held for sale | (105) | | (105) |
| **Net income attributable to minority interests** | **(105)** | - | **(105)** |

**Transition from statement of comprehensive income as reported to restated statement of comprehensive income**

| *(in millions of euros)* | 2016 Reported | *IAS 8* | 2016 Restated |
|---|---|---|---|
| **Net income** | **(770)** | ***17*** | **(753)** |
| **Items not recyclable to the income statement** | **(127)** | **33** | **(94)** |
| Actuarial gains and losses on the employee benefits of consolidated companies | 3 | | 3 |
| Income tax related to non-recyclable items | (0) | | (0) |
| Share in non-recyclable items from joint ventures and associates, net of tax | | | |
| Non-recyclable items related to operations sold, discontinued or held for sale, net of tax | (129) | 33 | (96) |
| **Items recyclable to the income statement** | **88** | | **88** |
| Currency translation adjustments of consolidated companies | | | |
| Change in value of available-for-sale financial assets | | | |
| Change in value of cash flow hedges | | | |
| Income tax related to recyclable items | | | |
| Share in recyclable items from joint ventures and associates, net of tax | | | |
| Recyclable items related to operations sold, discontinued or held for sale, net of tax | 88 | | 88 |
| **Total other items of comprehensive income (net of income tax)** | **(39)** | **33** | **(6)** |
| **Comprehensive income** | **(809)** | **50** | **(760)** |
| - Attributable to equity owners of the parent | (753) | 50 | (704) |
| - Attributable to minority interests | (56) | | (56) |

**LIABILITIES AND EQUITY**

| *(in millions of euros)* | **2016 Reported** | **IAS 8** | **2016 Restated** |
|---|---|---|---|
| **Equity and minority interests** | **(3,427)** | **50** | **(3,377)** |
| Capital | 1,456 | | 1,456 |
| Consolidated premiums and reserves | (4,611) | 17 | (4,594) |
| Actuarial gains and losses on employee benefits | (420) | 33 | (387) |
| Deferred unrealized gains and losses on financial instruments | 93 | | 93 |
| Currency translation reserves | 64 | | 64 |
| **Equity attributable to owners of the parent** | **(3,417)** | **50** | **(3,367)** |
| Minority interests | (10) | | (10) |
| **Non-current liabilities** | **1,354** | | **1,354** |
| Employee benefits | 4 | | 4 |
| Other non-current provisions | - | | - |
| Long-term borrowings | 1,351 | | 1,351 |
| Deferred tax liabilities | - | | - |
| **Current liabilities** | **30,802** | **(50)** | **30,752** |
| Current provisions | 2,060 | | 2,060 |
| Short-term borrowings | 831 | | 831 |
| Advances and prepayments received | 30 | | 30 |
| Trade accounts payable and related accounts | 265 | | 265 |
| Other operating liabilities | 222 | | 222 |
| Current tax liabilities | 1 | | 1 |
| Other non-operating liabilities | 3 | | 3 |
| Liabilities and operations held for sale | 27,391 | (50) | 27,341 |
| **Total liabilities and equity** | **28,729** | | **28,729** |

**Transition from statement of cash flows as reported to restated statement of cash flows**

| *(in millions of euros)* | **2016 Reported** | *IAS 8* | **2016 Restated** |
|---|---|---|---|
| **Net income for the period** | **(770)** | 17 | **(753)** |
| Less: income from operations sold, discontinued or held for sale | 365 | (17) | 348 |
| **Net income from continuing operations** | **(405)** | | **(405)** |
| **NET CASH FROM OPERATING ACTIVITIES** | **(595)** | | **(595)** |
| **NET CASH USED IN INVESTING ACTIVITIES** | **25** | | **25** |
| **NET CASH USED IN FINANCING ACTIVITIES** | **1,207** | | **1,207** |
| **NET CASH FROM OPERATIONS SOLD, DISCONTINUED OR HELD FOR SALE** | **(597)** | | **(597)** |
| **CHANGE IN NET CASH** | **41** | | **41** |
| **Net cash at the beginning of the year** | **745** | | **745** |
| **Net cash at the end of the year** | **786** | | **786** |