Orano

Annual Activity Report*

Period September 1 - December 31, 2017

* Including:

- the management report of the Company's Board of Directors including the management report of Orano, including:
  - the group's vigilance plan and the report on its implementation (Article L. 225-102-4 of the French Commercial Code),
  - the statement of non-financial performance (Article L. 225-102-1 of the French Commercial Code),
  - the report of the Board of Directors on corporate governance (Article L. 225-37 of the French Commercial Code); and
- the Board of Directors' report on the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to the officers of the Company (Article L. 225-37-2 of the French Commercial Code).

This free translation into English of the "Rapport Annuel d'Activité – Exercice 1er septembre – 31 décembre 2017" written in French is provided solely for the convenience of English speaking users. In the event of any inconsistency or difference of interpretation, the French version shall prevail.

CONTENTS

The purpose of this management report is to present the situation of Orano (the Company, previously known as New AREVA Holding) and its subsidiaries during the financial year running from September 1 to December 31, 2017.

The terms "group" or "Orano" refer to the group of companies formed by Orano and its subsidiaries and interests, both direct and indirect. The change of the Company's name took place on January 22, 2018.

A French law public limited company entitled to issue financial securities admitted for trading on a regulated market, the Company is subject to the obligation to draw up a management report including the information stipulated by the French Commercial Code, as well as the specific information required of a company listed on a regulated market.

This management report incorporates among other items the Board of Directors' report on corporate governance referred to in paragraph 6 of Article L. 225-37 of the French Commercial Code, the statement of non-financial performance referred to in Article L. 225-102-1 of the same code and the vigilance plan referred to in Article L. 225-102-4 of the same code.

1 Highlights of the year

1.1 Restructuring of the AREVA group and creation of the Company

1.1.1 Constitution of the Orano group

The AREVA group's restructuring resulted in the creation of New AREVA, a group focused on the mining, conversion-enrichment, spent fuel recycling, nuclear logistics, dismantling and nuclear cycle engineering activities.

The first stage in this restructuring took place on November 10, 2016 with the completion of AREVA SA's contribution to New AREVA Holding of all subsidiaries and interests operating in the nuclear fuel cycle.

On January 22, 2018, the Extraordinary General Meeting of New AREVA Holding approved the Company's change of name and adopted "Orano" as the new corporate name. The corporate names of the group's main subsidiaries were also modified to be consistent with the new name.

As such, in this document, the terms "Orano SA" or the "Company" refer to the public limited company Orano, known as New AREVA Holding until January 22, 2018, and also known as NewCo pending the change in name. The terms "group" or "Orano" refer to the group of companies formed by Orano SA and its subsidiaries and interests, both direct and indirect. The subsidiaries are also designated by their new legal names.

1.1.2 Recapitalization of the Company by the French State and investment by CEA in the Company's capital

On January 10, 2017, after examination of the proposal by the European Commission, the French State was authorized to take part in the capital increases of AREVA SA and the Company subject to:

- the authorization by the European Commission of the merger between EDF and New NP (the entity known as Framatome since January 4, 2018);
- the findings of the French Nuclear Safety Authority (*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 the segregation or, alternatively, a decision by EDF, duly notified to AREVA SA in view of the sale of New NP (known as Framatome since January 4, 2018), to lift the condition precedent related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of the reactor vessel.

The European Commission duly authorized the transfer of control of New NP to EDF on May 29, 2017. This authorization was not subject to commitments of any sort.

On June 28, 2017, the ASN Board of Commissioners issued its draft opinion on the results of the demonstration program concerning the carbon segregation issue identified in parts of the Flamanville 3 EPR reactor vessel, stating that "the mechanical characteristics of the vessel bottom head and closure head are adequate with regard to the loadings to which these parts are subjected, including in the event of an accident"; subsequently, on July 12, 2017, EDF notified AREVA of its decision to lift the condition precedent set out in New NP's sale agreement for the Flamanville 3 EPR reactor as regards carbon segregation identified in parts of the reactor vessel. On October 10, 2017, ASN confirmed the findings of the draft opinion mentioned above.

The conditions provided for in the decision of January 10, 2017 have therefore been fulfilled.

On July 12, 2017, the Board of Directors of the Company, noting the lifting of the preconditions set by the European Commission, decided to make use of the delegation of authority granted by the General Meeting of February 3, 2017 by carrying out a capital increase reserved for the French State. This 2.5-billion-euro capital increase was completed on July 26, 2017.

On August 16, 2017, the Minister of the Ecological and Solidarity Transition, the Minister of Defense, the Minister of the Economy and Finance, the Minister of Public Accounts and Government Action, and the Minister of Higher Education, Research and Innovation signed an order approving the sale by the State of 12,774,283 shares of the Company to the Commissariat for Atomic Energy and Alternative Energy (CEA). Pursuant to this order, the State transferred 5.4% of the capital of the Company to CEA on September 22, 2017.

1.1.3 Capital increases reserved for JNFL and MHI

Under the terms of the Investment Protocol and the Shareholders' Agreement dated March 13, 2017, and their amendments dated July 26, 2017, the industrial groups Mitsubishi Heavy Industries (MHI) and Japan Nuclear Fuel Ltd (JNFL), the French State and AREVA agreed to two capital increases reserved for MHI and JNFL, each of 5% and in a cumulative amount of 500 million euros, subject to the fulfillment of conditions precedent, including the recapitalization of the Company by the French State, the transfer of majority control of New NP to EDF, and the satisfaction of standard conditions in the matter of acquisitions of equity interests.

The capital increases reserved for MHI and JNFL were carried out on February 26, 2018, when the funds that had been placed in trust on July 26, 2017, at the same time as the capital increase subscribed by the French State, were released and used for the subscription by JNFL and MHI to the second capital increase of Orano SA.

Following this transaction, Orano's shareholding structure is now as follows: 45.2% for the French State, 4.8% for CEA, 40% for AREVA SA, 5% for JNFL and 5% for MHI.

1.1.4 Change in closing date

The 2.5-billion-euro capital increase reserved for the French State on July 26, 2017 had the effect of reducing AREVA SA's stake in Orano's capital from 100% to 44.4%, thereby removing Orano from the tax consolidation group initially formed around AREVA SA.

As such, and in order to constitute the Company's own tax consolidation group from September 1, 2017, it was decided by the Combined General Meeting of the Company of July 27, 2017 to temporarily modify the closing date of the financial year, by bringing forward the close of the financial year begun on January 1, 2017 to August 31, 2017 (eight-month financial year), and to return to a closing date on December 31 starting with the financial year beginning on September 1, 2017 (four-month financial year).

For this purpose, the Company prepared consolidated financial statements for the financial year begun on January 1, 2017 and ended on August 31, 2017. At the December 31, 2017 closing date, Orano prepared consolidated financial statements covering the period from September 1, 2017 to December 31, 2017. Specific consolidated financial statements for the 12 months ended December 31, 2017 have also been prepared on a voluntary basis.

The formation of the tax consolidation group in France around the Company on September 1, 2017 has allowed Orano since that date, as authorized by law, to offset the profit and loss of the principal French companies comprising its tax group – including Orano SA – in order to determine the tax expense paid in France after offsetting by Orano SA as parent company of the group.

1.2 Other highlights of the year

1.2.1 Mining

- The spot price of uranium averaged US$21.6/lb in 2017. Towards the end of 2017, it edged up to US$23.8/lb in the wake of various announcements relating to reduced uranium production, while the long-term indicator stabilized at roughly US$31/lb.
- In October, Orano published a book dedicated to its community commitment in Niger from 2006 to 2016. Orano and its foundation, together with the mining companies Cominak, Somaïr and Imouraren, invested nearly 45 billion CFA francs (67 million euros) over this period in major projects aimed at improving the health of local populations, schooling of children, access to water and economic development of the villages in the areas surrounding its mining sites.
- In October, to take into account the market environment, Somaïr (63.4% owned by Orano Mining) signaled a projected 20% drop in production in 2018 compared with 2017 (approximately 1,700 tU in 2018). As a result, a redundancy plan involving nearly 160 people has been approved. Its implementation began in early 2018. A number of industrial scenarios are being studied for Cominak in response to the adverse market environment.

- In November, Orano noted Cameco Corporation's decision to temporarily suspend, from the end of January 2018, the operations of the McArthur River mine (69.8% Cameco, operator, and 30.2% Orano) and the Key Lake processing plant (83.3% Cameco, operator, and 16.7% Orano) in the northern Saskatchewan region of Canada. This stoppage will not affect Orano's 2018 deliveries to its customers.
- Orders for the supply of uranium as part of the Hinkley Point C (HPC) project were included in Orano's backlog at the end of December 2017, as all of the conditions precedent related to the relevant contracts were lifted during the year. The first deliveries for these orders will begin in the 2020s.

1.2.2 Front End

- The decline in enrichment market indicators continued during the year. UxC's long-term SWU benchmark price again edged down to US$45 at the end of 2017, its lowest level since it was first published in 2004, while the spot price fell sharply from US$42 to US$38 per SWU. The long-term conversion price in turn eased to US$13.5 per KgU, while the spot price firmed to US$6 in December 2017. Operational excellence and cost-cutting initiatives are continuing on the Malvési-Tricastin industrial platform to address these low prices.
- The Comurhex II project made satisfactory progress over the year. UF_4 has been produced at the Malvési site since mid-2016 as a result of this new investment. The project continues as planned on the Tricastin site, with physical completion of 90%. Active mode testing is expected to begin in the first half of 2018, enabling the first production of UF_6 via Comurhex II before the end of 2018.
- Conversion production by the Comurhex I plant was definitively discontinued in December 2017. A total of 455,000 t of UF_6 was produced over its 55 years of operation.
- Orders for the provision of conversion and enrichment services as part of the Hinkley Point C (HPC) project were included in Orano's backlog at the end of December 2017 as all of the conditions precedent related to the relevant contracts were lifted during the year. The first deliveries for these orders will begin in the 2020s.

1.2.3 Back End

Recycling

- The la Hague site (France) experienced a strike starting on December 4 following the Company's decision to put an end to the possibility for staff to convert part of the public holiday bonus into additional days off. Since January 18, 2018, when the conflict ended, the la Hague site has recorded a gradual recovery in production.
- On January 9, 2018, in the presence of Xi Jinping, the Chairman of the People's Republic of China, and Emmanuel Macron, the President of the French Republic, the Company and its Chinese partner China National Nuclear Corporation (CNNC) signed a memorandum of understanding in Beijing for the planned Chinese plant for the treatment and recycling of spent fuel, Through this memorandum, Orano and CNNC reaffirm their mutual commitment to completing the contract negotiations as soon as possible, in order to launch the project in 2018.

Nuclear Logistics

- In September, TN International, Orano's nuclear logistics subsidiary, announced the launch of a new two-stage dry spent-fuel storage system, NUHOMS® MATRIX.
- In November 2017, TN International sold 25% of its shares in the Canadian company LFI (Laurentide Forwarders Inc.) to the majority shareholder, Laurentide International Export Inc.
- In December, Orano won a multimillion-dollar contract in the field of dry spent-fuel storage with a US customer covering the 2018-2025 period.

Dismantling and Services (DS)

- At the end of September, TRIHOM, the leading French provider of training in nuclear environments for all companies in the sector, opened its new learning center in Equeurdreville-Hainneville, in Normandy (France). With 1,100 m² of space dedicated to training, the center is the largest in France thanks to its wide range of training workshops, and one of the biggest of its kind in Europe. The opening of this new establishment forms part of a major development plan being rolled out by TRIHOM. Backed by a service offer of more than 200 training courses, covering areas as diverse as regulation, in-depth technical studies and personal development, the organization already trains more than 30,000 students each year. It is planning to invest 7 million euros over the next few years to increase its training capacity and digitalize its entire training offer.
- At the end of November, Orano and Korea Hydro & Nuclear Power Co., Ltd. (KHNP) signed a major agreement to strengthen their cooperation in the areas of cleanup and dismantling.
- The end of 2017 confirmed the continued development of the Dismantling and Services business, which enjoyed commercial success with all of its customers, from EDF (site logistics contract at Brennilis) and CEA (contract for the operation or maintenance of two waste management facilities in Cadarache, liquid waste treatment contract at the Fontenay-aux-Roses site) to Orano, which awarded a significant share of maintenance operations on the la Hague site to its teams. Business development was accompanied by the continuation of hiring campaigns and the arrival of new employees in the various business lines.
- On the organizational front, the Dismantling and Services business reached a significant milestone with the completion of the legal process including consultations with employee representative bodies leading to the merger of Amalis, Polinorsud and MSIS Assistance with their parent company, STMI (74% owned by Orano and 26% by EDF). The merger of the aforementioned entities, effective December 31, 2017, gave birth to an entity of 3,300 employees specializing in cleanup-dismantling, waste management and services to nuclear operators. On February 6, 2018, STMI changed its corporate name to Orano DS – Démantèlement & Service.

1.2.4 Other operations

Nuclear engineering

- In September, Orano Projets (formerly AREVA Projets), Orano's engineering subsidiary, signed a contract with CEA to manage the retrieval and packaging of waste stored at the Marcoule site (Gard). The contract was won in partnership with Wood. These operations, lasting about five years, represent an end-to-end project management offer ranging from the safety file to detailed studies, and the design and industrial commissioning of waste retrieval and packaging operations.

Nuclear medicine

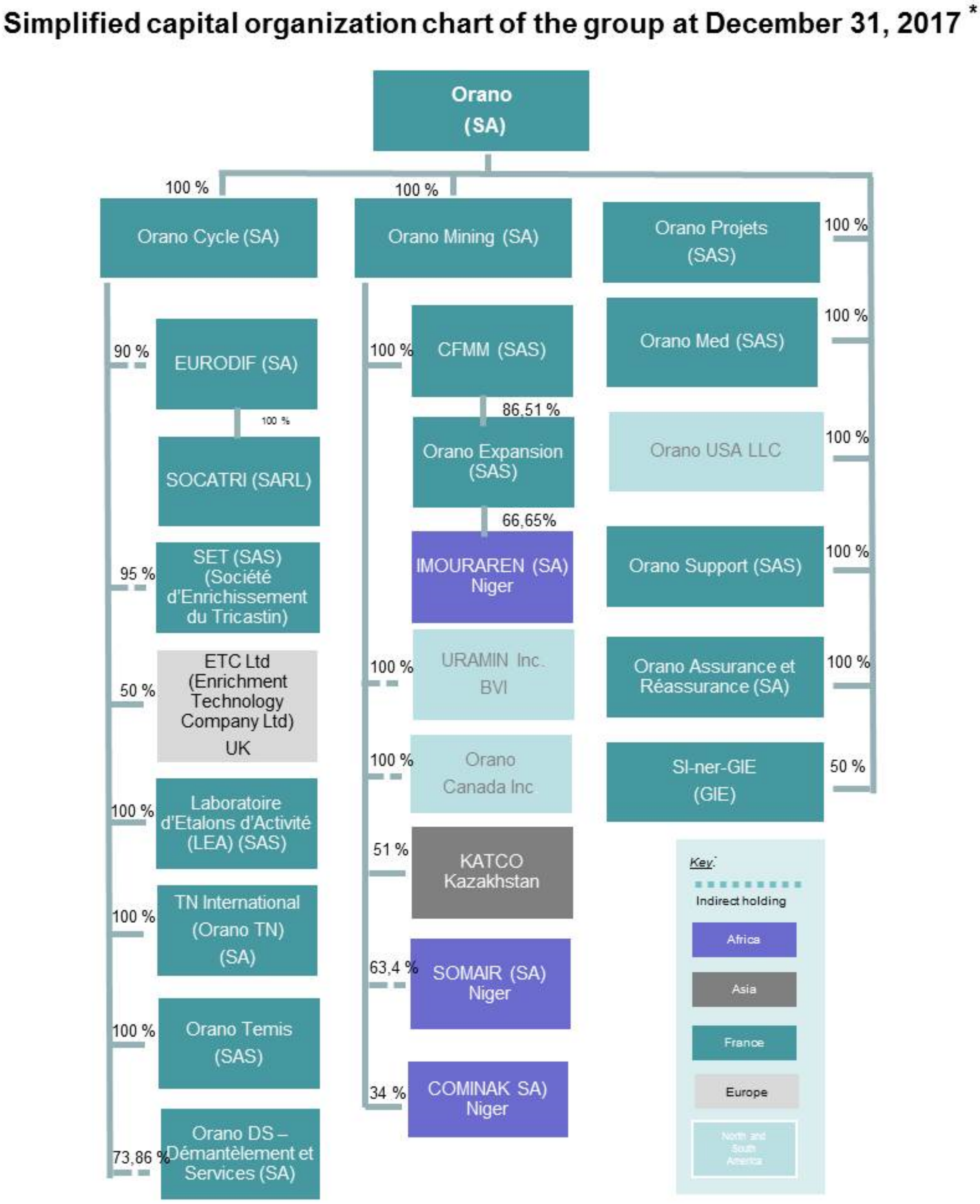
- On December 30, 2017, Orano Med (formerly AREVA Med) and its partner RadioMedix obtained authorization from the US Food and Drug Administration (FDA) to start the Phase I clinical trial of AlphaMedix™, a treatment for patients with neuroendocrine tumors (NET).
- Orano Med's various scientific research programs with its partners have progressed in line with expectations.

Please refer to Section 2.6 of this report for the highlights since the date of closing.

2 Situation and activities of the Company and its subsidiaries during the past year

2.1 Simplified capital structure of the group – Subsidiaries, interests and branch offices

2.1.1 Organization chart



(*) For greater clarity, the legal entities are presented using their new company names.

2.1.2 Acquisitions of equity interests and takeovers during the past year

Acquisitions of equity interests

Pursuant to the provisions of Article L. 233-6 of the French Commercial Code, please note that Orano Cycle (formerly AREVA NC), a subsidiary of Orano (formerly New Areva Holding), acquired the securities held by the Italian company ENEA in EURODIF, a company it already controlled, on October 18, 2017. This acquisition follows those made in December 2016 and July 2017 from SYNATOM and ENUSA and is in line with Orano Cycle's plan to acquire all the shares held by its partners following the shutdown of the Georges Besse gas diffusion plant on the Tricastin site in order to optimize that site's operational management. It increases its stake in Eurodif to 90% (75% directly, plus 15% indirectly through SOFIDIF).

Takeovers

Pursuant to the provisions of Article L. 233-6 of the French Commercial Code, it is specified that within the framework of the group's restructuring plan:

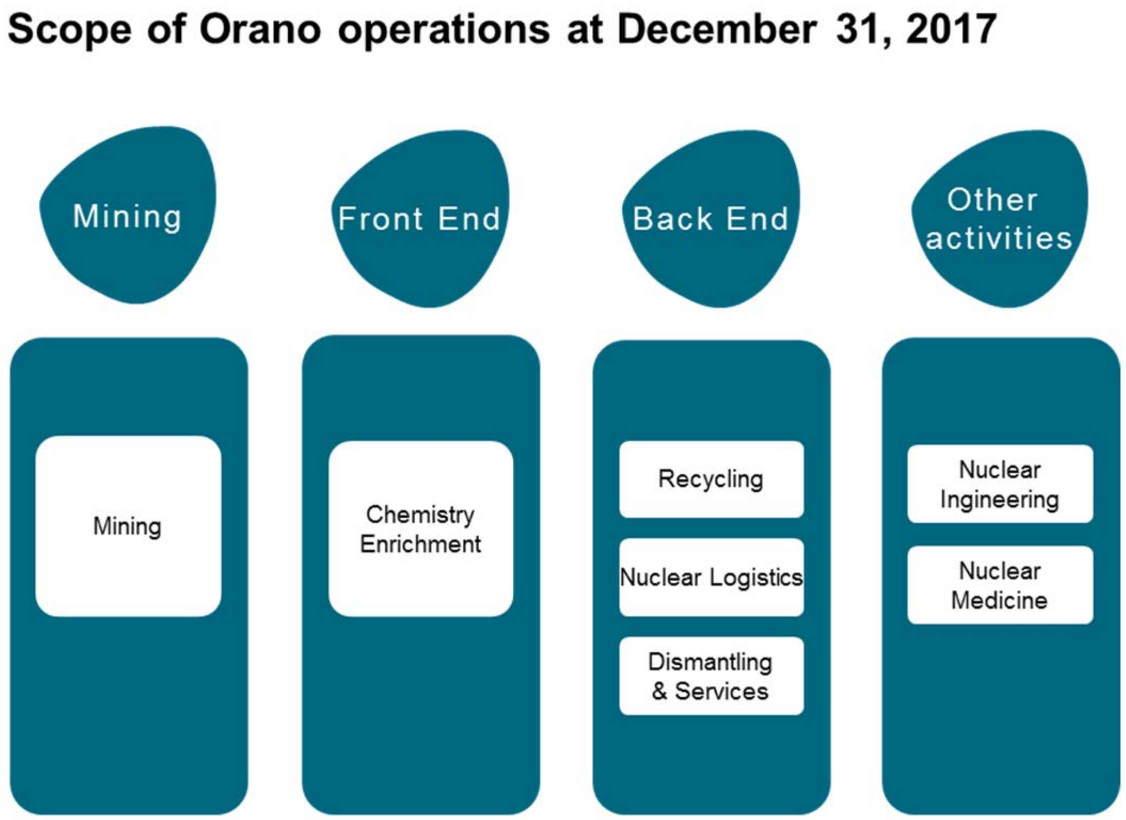
- On December 12, 2017, Orano acquired all the shares of Orano Med SAS from Orano Cycle. Orano Med is now wholly owned by Orano.

2.1.3 Branch offices and representation offices

In accordance with the provisions of Article L. 232-1 II of the French Commercial Code, please note that the Company has a liaison office in Turkey.

2.2 The group’s businesses

Refocused on nuclear fuel cycle operations, Orano operates in Mining, at the Front End and the Back End of the cycle, and in other activities.



Source : Orano

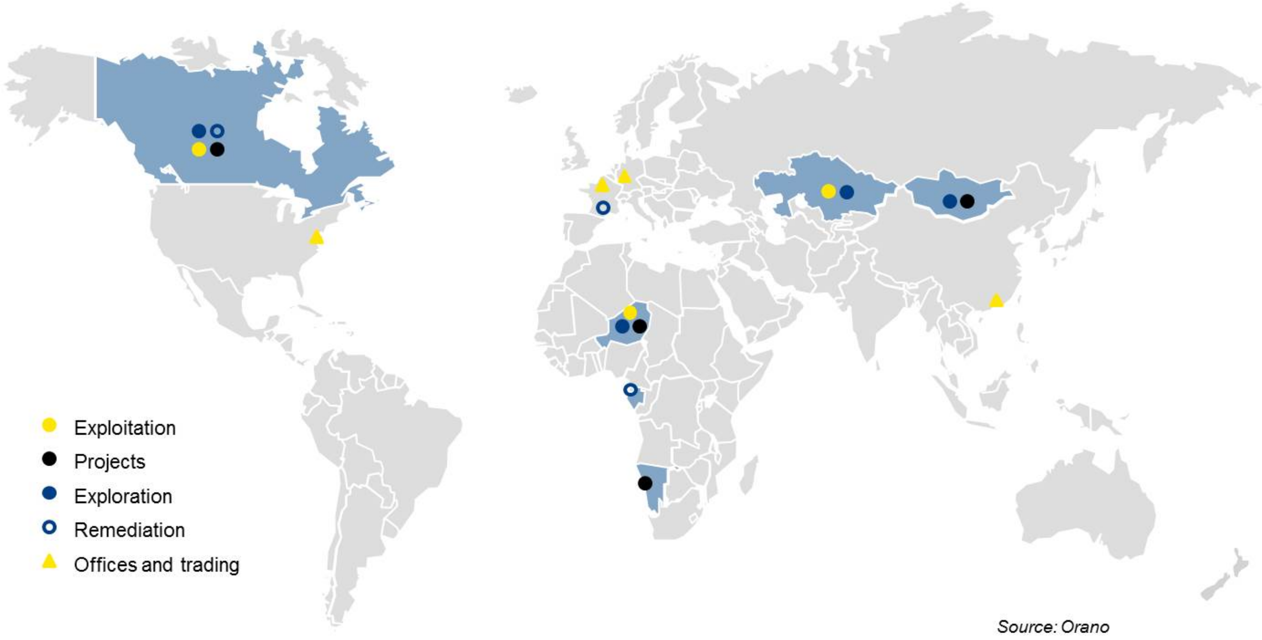
2.2.1 Mining

The group’s mining activities concern the production and commercialization of natural uranium used after enrichment to make fuel for nuclear reactors.

The main business lines of the Mining business are as follows:

- exploration: search for new deposits for the future;
- mining projects: studies and construction;
- operations: extraction of uranium ore using various mining techniques, and ore processing (concentration of natural uranium by chemical means);
- site rehabilitation after operations: restoration of mining sites in accordance with environmental standards.

MAIN SITES OF THE MINING BUSINESS GROUP



Orano's diversified portfolio of mining assets and resources is a big source of security for utilities seeking long-term guarantees of uranium supply.

92% of Mining business staff are located outside France. The main uranium production sites are located in three countries: Canada, Niger and Kazakhstan.

Canada

Orano has operated in Canada through its different mining operations for more than 50 years.

Canadian production comes from the McArthur River and Cigar Lake mines operated by Cameco. These sites are located approximately 700 kilometers north of Saskatoon in Saskatchewan Province. The group is conducting a major exploration program and holds majority interests in several deposits. Additional studies are required to determine the development schedules for these deposits, which will depend on uranium market conditions.

McArthur River is operated as a joint venture by Cameco, which holds a 69.805% interest (Orano's share: 30.195%). The McArthur ore is processed in the Key Lake mill, which has a capacity of approximately 6,900 metric tons (2017 production: 6,203 metric tons). Since the end of January 2018, the operations of the McArthur mine and the Key Lake mill have been temporarily suspended due to persistently low uranium prices.

Cigar Lake is owned by a joint venture consisting of Cameco Corporation (50.025%), Orano (37.1%), Idemitsu Uranium Exploration Canada Ltd (7.875%) and Tepco Resources Inc. (5%). This deposit, the richest in the world, is mined by Cameco. The ore is processed in the McClean Lake mill operated by the group.

The McClean Lake mill is 70% owned and operated by Orano alongside Denison Mines Ltd (22.5%) and Overseas Uranium Resources Development Company Ltd of Japan (OURD, 7.5%). The mill, designed to process very high-grade ore (>15%), processes all of the ore from Cigar Lake.

The Cigar Lake mine and the McClean mill have reached full capacity, with annual production of 6,925 tU in 2017 (18 million pounds of U_3O_8).

Niger

Exploration teams from CEA detected the presence of uranium in Niger at the end of the 1950s. The uraniferous area is located west of the Aïr granitic body near the city of Arlit.

Close to 1,800 people work at Somaïr and Cominak, not including subcontractors. Along with jobs, the operating companies provide health, social and educational services to the local communities in this isolated area.

Cominak and Somaïr have delivered uranium to their customers without interruption since operations began in the 1970s.

Société des mines de l'Aïr (Somaïr, the mining company of the Aïr) was established in 1968. Orano, the operator, holds 63.4% of the shares; the remaining 36.6% is held by Société du Patrimoine des Mines du Niger (SOPAMIN, the Nigerien government's mining company). Given the current characteristics of processed ore, capacity is in the order of 2,000 metric tons per year (2017 production: 2,116 metric tons).

Cominak (Compagnie Minière d'Akouta) is 34% owned by Orano, which operates it. The other shareholders are SOPAMIN (Niger, 31%), OURD (25%) and Enusa Industrias Avanzadas SA (ENUSA, Spain, 10%). The ore is extracted underground and then processed in the site's mill, with capacity, considering the current characteristics of the ore processed, of approximately 1,400 tU per year (3.6 million pounds of U_3O_8) (2017 production: 1,331 metric tons).

Imouraren SA is 66.65% owned by Orano Expansion (formerly Areva NC Expansion), 10% by the Republic of the Niger and 23.35% by SOPAMIN. It holds the operating license for the Imouraren deposit (174,196 tU of reserves – 100% share – at December 31, 2017, after application of the ore yield with an average grade of 700 ppm). In view of market conditions, production startup work was suspended in 2014. The project will restart when uranium prices permit. A strategy committee set up by the Niger government and Orano regularly reviews these conditions. Project optimization studies are underway.

Kazakhstan

Katco was established in 1997 to develop and mine the Muyunkum and Tortkuduk deposits in southern Kazakhstan, approximately 250 kilometers north of Shymkent.

Its shareholders are Orano Mining (51%) and KazAtomProm (49%), Kazakhstan's national natural uranium producer. In April 2017, Orano and KazAtomProm signed a strategic agreement aimed at strengthening their long-standing cooperation in the uranium mining sector in Kazakhstan. The agreement gives Katco a new long-term perspective, with the development of the South Tortkuduk project, which will ensure its production over the next two decades.

In July 2017, the Kazakh Geology Board validated the registration of the extent of the South Torkuduk reserves.

Katco's annual capacity is around 4,000 tU per year (2017 production: 3,519 metric tons).

Namibia

In Namibia, Orano owns the entire Trekkopje deposit in the Swakopmund region, as well as a water desalination plant, purpose built for the deposit, with capacity of 20 million cubic meters per year. The deterioration of uranium market conditions prompted Orano to mothball the Trekkopje project in October 2012. The desalination plant is operating at 65% of capacity and selling its production to Namwater, the Namibian water distributor, for the needs of mines and local communities.

Mongolia

In June 2017, in accordance with the Atomic Energy Act, Mongolia, through the state-owned company Mon-Atom, acquired a 34% stake in Badrakh Energy LLC (formerly AREVA Mines LLC). The remaining 66% is held by Orano Mongol LLC. Badrakh Energy LLC houses the mining licenses awarded in July 2016 for the Dulaan Uul and Zoovch Ovoo deposits in the Sainshand basin, discovered by Orano. A pilot plant is currently under construction in order to confirm and optimize the technical and economic characteristics of a future operation.

In Mongolia, the group has partnered with Mitsubishi Corporation, which holds 34% of Orano Mongol LLC.

Reserves and resources

The mineral reserves in Orano's deposits amounted to 188,947 tU at December 31, 2017 (Orano's equity share), compared with 181,875 tU at December 31, 2016.

The volume of the best-known resources (measured and indicated resources) was 131,616 tU at December 31, 2017 (Orano's equity share), compared with 124,756 tU at December 31, 2016. The volume of inferred resources was 153,525 tU at December 31, 2017 (Orano's equity share), compared with 151,123 tU at December 31, 2016.

Estimating methods

The estimates of the group's resources and reserves are based on internal work by the Mining business unit or from audited external reports. The estimates are based on the NI 43101 standard.

The mission of the Resources and Reserves Committee, which reports to Management, is to validate the schedule for updating resources and reserves; to validate the resources and reserves reported by Orano each year; and to ensure that the means, organization, and internal and external estimating methods enable a comprehensive and objective estimate of resources and reserves, in accordance with international practices.

MINERAL RESERVES IN THE GROUND IN METRIC TONS OF URANIUM (MTU) (YEAR-END 2017 ESTIMATES)

	Proven reserves			Probable reserves			Total reserves		
DEPOSIT	Ore KT	Grade ‰U	Metal MTU	Ore KT	Grade ‰U	Metal MTU	Metal MTU	Recovery %	Orano's equity share (tU)
CIGAR LAKE	216	143.15	30,864	387	117.11	45,275	76,139	98.50%	27,824
KEY LAKE	61	4.41	270	0	0.00	0	270	98.70%	44
McARTHUR	1,097	83.95	92,113	593	77.56	46,014	138,128	98.70%	41,165
McCLEAN	88	3.00	262	1	40.45	22	284	95.71%	190
Total CANADA	1,461	84.51	123,509	980	93.13	91,311	214,820	98.63%	69,224
KATCO	0	0.00	0	27,089	0.96	26,088	26,088	87.76%	11,677
Total KAZAKH-STAN	0	0.00	0	27,089	0.96	26,088	26,088	87.76%	11,677
COMINAK	939	3.16	2,966	1,244	3.15	3,915	6,881	92.50%	2,164
IMOURAREN	0	0.00	0	306,048	0.70	213,722	213,722	81.51%	100,439
SOMAÏR	365	0.63	229	9,265	1.05	9,738	9,967	86.13%	5,443
Total NIGER	1,304	2.45	3,195	316,557	0.72	227,375	230,571	82.03%	108,046
TOTAL	2,765	45.82	126,704	344,626	1.00	344,775	471,479		188,947

MINERAL RESOURCES IN THE GROUND IN METRIC TONS OF URANIUM (MTU) (YEAR-END 2017 ESTIMATES)

	Measured resources			Indicated resources			Total measured and indicated resources	
DEPOSIT	Ore KT	Grade ‰U	Metal MTU	Ore KT	Grade ‰U	Metal MTU	Metal MTU	Orano's equity share (tU)
CIGAR LAKE	9	62.47	544	299	124.57	37,222	37,766	14,011
DAWN LAKE	0	0.00	0	184	37.47	6,886	6,886	1,590
KIGGAVIK	0	0.00	0	10,418	4.70	48,953	48,953	32,376
McARTHUR	90	22.95	2,063	15	40.24	620	2,683	810
McCLEAN	82	30.23	2,479	242	14.13	3,424	5,903	4,132
MIDWEST	0	0.00	0	1,060	18.53	19,652	19,652	13,591
READ LAKE	0	0.00	0	0	0.00	0	0	0
Total CANADA	181	28.16	5,086	12,219	9.56	116,757	121,843	66,510
BAGOMBE	0	0.00	0	0	0.00	0	0	0
Total GABON	0	0.00	0	0	0.00	0	0	0
KATCO	0	0.00	0	7,621	1.00	7,621	7,621	3,887
Total KAZAKH-STAN	0	0.00	0	7,621	1.00	7,621	7,621	3,887
ZUUVCH OVOO	0	0.00	0	63,649	0.20	12,836	12,836	5,591
Total MONGOLIA	0	0.00	0	63,649	0.20	12,836	12,836	5,591
TREKKOPJE	0	0.00	0	60,100	0.12	7,320	7,320	7,320
Total NAMIBIA	0	0.00	0	60,100	0.12	7,320	7,320	7,320
ARLIT CONCES-SION	0	0.00	0	0	0.00	0	0	0
COMINAK	0	0.00	0	269	4.14	1,115	1,115	379
IMOURAREN	0	0.00	0	108,668	0.58	62,584	62,584	36,085
SOMAÏR	0	0.00	0	11,862	1.58	18,680	18,680	11,843
Total NIGER	0	0.00	0	120,799	0.68	82,379	82,379	48,308
BAKOUMA	0	0.00	0	0	0.00	0	0	0
Total CAR	0	0.00	0	0	0.00	0	0	0
TOTAL	181	28.16	5,086	264,388	0.86	226,913	231,999	131,616

	Inferred resources			Total inferred resources
DEPOSIT	Ore KT	Grade ‰U	Metal MTU	Orano's equity share (tU)
CIGAR LAKE	180	50.63	9,109	3,380
DAWN LAKE	46	8.68	396	91
KIGGAVIK	731	2.82	2,059	1,362
McARTHUR	77	42.60	3,268	987
McCLEAN	38	10.07	382	267
MIDWEST	831	8.41	6,983	4,829
READ LAKE	387	67.74	26,195	5,700
Total CANADA	**2,289**	**21.14**	**48,392**	**16,616**
BAGOMBE	2,000	2.71	5,420	5,420
Total GABON	**2,000**	**2.71**	**5,420**	**5,420**
KATCO	34,081	1.02	34,629	17,661
Total KAZAKHSTAN	**34,081**	**1.02**	**34,629**	**17,661**
ZUUVCH OVOO	255,395	0.24	60,809	26,488
Total MONGOLIA	**255,395**	**0.24**	**60,809**	**26,488**
TREKKOPJE	114,100	0.11	12,682	12,682
Total NAMIBIA	**114,100**	**0.11**	**12,682**	**12,682**
ARLIT CONCESSION	12,845	1.59	20,403	20,403
COMINAK	443	2.85	1,264	430
IMOURAREN	4,394	0.66	2,879	1,660
SOMAÏR	15,940	1.56	24,749	15,691
Total NIGER	**33,623**	**1.47**	**49,294**	**38,183**
BAKOUMA	17,974	2.03	36,475	36,475
Total CAR	**17,974**	**2.03**	**36,475**	**36,475**
TOTAL	**459,461**	**0.54**	**247,701**	**153,525**

2.2.2 Front end

The Front End operations of the fuel cycle include uranium chemistry, and primarily the conversion and enrichment of uranium.

Conversion of natural uranium (U_3O_8) into uranium hexafluoride (UF_6)

The principal business of the Chemistry operations is to convert natural uranium into uranium hexafluoride. All enrichment processes currently function with uranium in the chemical form of UF_6.

The uranium concentrate is converted in a two-stage process:

- the uranium is first transformed into uranium tetrafluoride (UF_4): the mine concentrate is dissolved in acid, then purified to produce UO_3 powder. This powder is then hydro-fluorinated with hydrofluoric acid, converting it into UF_4. These operations are carried out in the group's plant at the Malvési site (Aude – France), whose annual capacity is approximately 15,000 metric tons;
- in the second stage, the UF_4 is converted by fluorination into uranium hexafluoride (UF_6), a chemical compound that exists in gaseous form at relatively low temperature. The fluorine used in this process is produced through electrolysis of anhydrous hydrofluoric acid. These operations are carried out in the group's plant at the Tricastin site (Drôme and Vaucluse – France), whose annual capacity will be approximately 15,000 metric tons after the Comurhex II project.

In 2007, it was decided to invest in a new conversion plant at the Malvési and Tricastin sites in order to renew the group's uranium conversion tool as part of the Comurhex II project. Comurhex II is at present the only active new conversion plant project in the world. It is designed to replace the current capacity of Comurhex I, whose conversion production was definitively discontinued in December 2017, in accordance with the highest environmental standards.

Enrichment of natural uranium in uranium-235

Enrichment operations consist of increasing the Uranium-235 content of natural uranium from its initial 0.7% to the necessary assay, ranging from 3% to 5%, depending on the type and operating mode of the reactor. Molecules of gaseous uranium hexafluoride (UF_6) undergo isotopic separation to achieve the desired enrichment assay. Orano supplies the enrichment service to the customer, which generally retains ownership of its material.

Following the shutdown of Eurodif's gaseous diffusion enrichment plant in 2012, Orano invested in the new Georges Besse II plant and has now deployed centrifuge enrichment technology, which meets increasingly stringent nuclear safety, environmental protection and competitiveness requirements. Located on the Tricastin site, the Georges Besse II plant of Société d'Enrichissement du Tricastin (SET) has an annual capacity of 7.5 million SWU. This nominal capacity was reached at the end of 2016, and the plant's production has since matched expectations.

At December 31, 2017, AREVA Nuclear Material (now Orano USA LLC) had tax assets of more than 300 million US dollars, consisting of the costs of studies for the Eagle Rock Enrichment Facility (EREF). These expenditures, recognized since their origin as annual expenses for accounting purposes, have been capitalized from a fiscal point of view. They can be amortized once the facility is commissioned. Since the U.S. Department of Energy (DOE) has informed the company of its decision not to renew in 2018 its original commitment to guarantee the loan necessary to build the plant, the decision was made to abandon the project, put the land that had been acquired in Idaho up for sale, and to make this known to the public. As a result, this asset, now devoid of any future utility, will be totally written off for tax purposes starting in 2018, with a 20-year carryforward.

Other operations related to uranium chemistry

Other operations related to uranium chemistry are present on the Tricastin platform, including defluorination of depleted uranium and conversion of uranyl nitrate into oxide.

2.2.3 Back End

The Back End operations of the fuel cycle include the operations Recycling, Nuclear Logistics, Dismantling and Services.

Recycling

The Recycling business uses processes allowing its customers to recycle spent fuel into fresh fuel and to package final waste in standardized containers in a safe and stable manner.

The Recycling business makes use worldwide of the technical and industrial expertise developed in its facilities at the sites of the group and of its French customers. In particular, it designs and builds new recycling plants in the framework of international partnerships with countries seeking to acquire their own production plants.

This activity's principal base consists of the industrial platforms of la Hague and MELOX, respectively located in the Manche and Gard departments of France. These two sites represented close to 5,500 employees and subcontractors in 2017.

The installed capacity of the la Hague and MELOX plants along with the group's cumulative experience make the group number one worldwide in recycling:

- the la Hague site provides the first stage of the recycling operations: the recyclable materials are first separated from the waste in the spent fuel of French and foreign power plants and research reactors; these recyclable materials and final waste are then packaged in a safe and stable form. The plant has two production lines, UP2-800 and UP3, which have a combined licensed capacity of 1,700 metric tons of spent fuel per year, corresponding to the generation of 600 TWh per year of electricity;
- MELOX is the global market leader for the fabrication of recycled nuclear fuel, or MOX.

The Recycling business also draws on the skills of Orano Temis, which develops and offers a selection of technical skills and know-how for all high value-added industrial projects, mainly nuclear. In particular, the company provides automated systems, designs and manufactures mechanical equipment in specialty metals, and produces fiber-reinforced concrete containers.

Nuclear Logistics

The Nuclear Logistics business, which trades under the name Orano TN, has two main business lines:

- designing and manufacturing storage containers for the transportation and/or dry storage of nuclear materials;
- organizing and carrying out the transportation of nuclear material. It works both in the front end and the back end of the nuclear fuel cycle for industry as well as for research reactors and laboratories. Orano TN carries out 5,000 transportation operations each year; it is also tasked with the supervision of the transportation operations of the group and its customers, ensuring that they meet the highest safety levels.

The Nuclear Logistics activity operates in several parts of the world:

- in Europe, TN International is responsible for the design, approval and manufacture of storage containers via a network of subcontractors as well as transport commissioning. In this area, it calls on LMC, its specialized nuclear transportation subsidiary, and a network of approved subcontractors;
- in the United States, TN Americas and its subsidiary CHT design and manufacture dry storage containers for US nuclear power plants. Orano TN is the leader in the US market. The Company also operates transportation at the front end of the cycle;
- in Asia, Transnuclear Ltd carries out engineering studies and transportation, as well as container maintenance work for the Japanese market. Orano TN also has teams in China and South Korea;
- lastly, in Niger, as part of mining activities.

The Nuclear Logistics business has the necessary resources to manufacture shipping and storage casks. It has a fleet of transportation equipment, including casks and road and rail resources, and it operates road, rail and sea terminals.

To accomplish its mission of supervising the group's transportation operations, the business has an organization that manages risks and sets up appropriate action plans to manage any emergency at any location, in liaison with the public authorities. Its real-time transportation tracking center gives it a continuous stream of information on transportation operations.

Dismantling and Services (DS)

The Dismantling and Services business offers customers a broad range of services covering three main types of operations:

- dismantling of nuclear facilities throughout the value chain: radiological characterization of the facilities to be dismantled, cleanup, deconstruction, operation of facilities during dismantling and of the support facilities, and redevelopment of the land and buildings.

  Numerous facilities built in the 1950s and 1960s have reached the end of their operating period. Their dismantling and the rehabilitation of their host sites, in particular to allow new projects to be located there, represent a major industrial challenge. The Dismantling and Services business (DS) is a managing contractor for facilities that have been shut down, provides dismantling studies and project management, and carries out dismantling operations.

  DS is also responsible for dismantling the former group facilities on the Tricastin and la Hague sites, including the UP2-400 spent fuel processing plant. The entity offers its skills and resources to its customers CEA and EDF;
- waste management operations, whether the waste comes from the production and operation of nuclear facilities, from dismantling operations, or from major maintenance operations. The Dismantling and Services business also contributes to major projects for the retrieval and packaging of legacy waste stored at the sites pending the availability of disposition methods;
- services to nuclear operators: nuclear logistics and project support, facility maintenance, radiological safety of workers and facility operations. These operations mostly involve nuclear facilities currently in production, which must ensure the best nuclear safety performance at all times, preserve assets, plan for the future and control costs. The Dismantling and Services business also has a subsidiary dedicated to training in the nuclear business and personal development, TRIHOM, the leader in its sector in France.

The Dismantling and Services business provides services to practically all of the French nuclear sites operated by Orano, CEA, EDF and ANDRA. Its personnel are present at all sites to ensure the quality of the services provided, in compliance with the budget, schedule, and nuclear and occupational safety requirements.

2.2.4 Orano's other operations

Orano's other operations include the other cross-business functions, as well as nuclear engineering and nuclear medicine.

Nuclear engineering

The nuclear engineering business provides nuclear fuel cycle engineering expertise for the group's facilities and for external customers. Its services range from engineering for operator support to full engineering, procurement, construction and management (EPCM) assignments.

Its operations span all of the group's activities: mining, uranium chemistry, enrichment, nuclear fuel, recycling of spent fuel, dismantling and waste management. Orano Projets also aims to contribute to the group's growth targets by gradually expanding in the fields of non-fuel nuclear and non-nuclear applications.

The nuclear engineering activity draws on more than 40 years' experience and feedback from designing and building plants that are unique in the world (la Hague, MELOX, etc.), but also from the flagship renovation projects concerning Orano's industrial facilities in France, i.e. the waste retrieval and packaging facilities at la Hague, the Georges Besse II enrichment plants and the Comurhex II uranium chemistry facilities in Tricastin and Malvési.

It also has recognized expertise in the management and realization of international projects: Rokkasho-Mura, a recycling plant in Japan built on the model of la Hague, and MFFF, a MOX fuel fabrication plant in the United States.

Nuclear medicine

Orano's nuclear medicine business is carried out by Orano Med, its medical subsidiary. Orano Med has developed a unique process making it possible to extract lead-212 (^{212}Pb), which is a particularly rare radioactive isotope, at a very high degree of purity. Orano Med's ^{212}Pb is currently at the heart of promising nuclear medicine research projects for the development of new cancer treatments. This novel approach is called targeted alpha therapy or radioimmunotherapy when it implies using antibodies.

Orano Med's ambition is to develop effective and targeted anticancer therapies, with two prime objectives:

- produce high-purity lead-212 at its two production sites based in Bessines-sur-Gartempe (France) and Plano (Texas, United States) to meet the needs of clinical development;
- participate in the development of innovative treatments using Orano Med's lead-212, in particular through scientific partnerships (Roche, RadioMedix, Morphotek, Nordic Nanovector, etc.).

2.3 Research and development activities

The group's main research and development programs for the period from September 1 to December 31, 2017 focused on:

- development and upgrading of production capabilities in the front end of the cycle;
- recycling-processing, maintenance and performance improvement at existing plants and recovery of waste;
- development of new shipping casks for nuclear materials and waste;
- development of methods and tools to support dismantling activities.

Key figures

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 relating to programs funded wholly or partially by customers, together with projects carried out in partnerships where Orano has commercial rights of use of the results, are recognized in the cost of sales. The total research and development expenditure consists of the combination of amounts spent on research and development, whether capitalized or expensed during the period.

(in millions of euros)	**Period ended December 31, 2017 (4 months)**	**Period ended August 31, 2017 (8 months)**
TOTAL	**36**	**51**
Number of registered patents	**7**	**9**

In the four months ended December 31, 2017, research and development expenses amounted to 36 million euros, or 2.27% of revenue for the period, an increase compared to the first eight months of 2017 (2.18% of revenue).

The group filed seven patents in the four-month period ended December 31, 2017 and nine in the first eight months of 2017.

2.4 Financial position of the Company and the group during the past year

2.4.1 Context of the publication of Orano's financial statements for the period from September 1 to December 31, 2017

On July 26, 2017, the Company's 2.5-billion-euro capital increase reserved for the French State was completed. This transaction resulted in a reduction in the stake held by AREVA SA in the capital of Orano from 100% to 44.4%, which in turn led to its exit from the tax consolidation group initially constituted around AREVA SA.

As such, in order to constitute the Company's own tax consolidation group from September 1, 2017, it was decided by the Company's Combined General Meeting of July 27, 2017 to temporarily modify the closing date of the financial year, by bringing forward the close of the financial year begun on January 1, 2017 to August 31, 2017 (eight-month financial year), and to return to a closing date on December 31 starting with the financial year beginning on September 1, 2017 (four-month financial year).

At the closing date of December 31, 2017, Orano prepared parent company and consolidated financial statements for the period between September 1, 2017 and December 31, 2017. Consolidated financial statements for the 12 months ended December 31, 2017 have also been prepared on a voluntary basis.

2.4.2 Summary of key figures and segment information

The data presented below relate to the 2017 financial year from September 1 to December 31, 2017, an exceptional duration of 4 months. These figures are not comparable to the preceding fiscal year, which covered an 8-month period.

2.4.2.1 Summary of key data at group level

(in millions of euros, except workforce)	**4 Months 2017**	**8 Months 2017**	**Chg. 4M 2017 / 8M 2017**
Income			
Revenue	1,585	2,339	-754
Gross margin	355	403	-48
Operating income	244	(281)	+525
Share in net income of joint ventures and associates	(13)	9	-22
Net financial income	(207)	(58)	-149
Income tax	(4)	(49)	+45
Net income from operations sold or held for sale	-	(2)	+2
Net income attributable to owners of the parent	8	(260)	+268
Comprehensive income	8	(409)	+417
Comprehensive income attributable to owners of the parent	(4)	(276)	+272
Cash flows			
EBITDA	342	602	-260
Change in operating working capital requirement	201	(149)	350
Net operating CAPEX	(161)	(443)	+282
Operating cash flow	358	10	+348
Miscellaneous			
Net cash (debt)	(3,036)	(2,332)	-704
Equity attributable to owners of the parent	1,144	1,154	-10
Workforce at year end	19,145	19,196	-0.3%

2.4.2.2 Summary data by business segment

4 MONTHS 2017

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations***	**Total**
Income					
Contribution to consolidated revenue	507	492	567	19	1,*585*
Operating income	154	104	39	(53)	244
Percentage of contribution to consolidated revenue	*30.4%*	*21.1%*	*6.9%*	*n.m.*	*15.4%*
Cash flows					
EBITDA	234	124	80	(97)	342
Percentage of contribution to consolidated revenue	*46.2%*	*25.2%*	*14.1%*	*n.m.*	*21.6%*
Change in operating WCR	21	67	88	25	201
Net operating CAPEX	(29)	(72)	(59)	(1)	(161)
Operating cash flow	221	120	91	(74)	358
Miscellaneous					
Property, plant and equipment and intangible assets (including goodwill)	2,845	4,191	2,530	62	9,628
Assets earmarked for end-of-lifecycle operations	-	1,798	5,196	271	7,265

(*) "Corporate & Other operations" notably includes Corporate, Orano Med and Orano Projets operations.

8 MONTHS 2017

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations***	**Total**
Income					
Contribution to consolidated revenue	787	401	1,115	36	2,339
Operating income	(46)	(92)	38	(182)	(281)
Percentage of contribution to consolidated revenue	*n.s.*	*n.s.*	*3.4%*	*n.m.*	*n.s.*
Cash flows					
EBITDA	406	157	164	(126)	602
Percentage of contribution to consolidated revenue	*51.6%*	*39.2%*	*14.7%*	*n.m.*	*25.7%*
Change in operating WCR	(67)	(73)	36	(45)	(149)
Net operating CAPEX	(77)	(171)	(130)	(65)	(443)
Operating cash flow	267	(86)	66	(236)	10
Miscellaneous					
Property, plant and equipment and intangible assets (including *goodwill*)	2,909	4,201	2,507	62	9,678
Assets earmarked for end-of-lifecycle operations	2	1,592	4,536	246	6,376

( )"Corporate & Other operations" notably includes Corporate, Orano Med and Orano Projets operations.*

SUMMARY OF REVENUE BY REGION AND BUSINESS

(in millions of euros)	4 Months 2017	8 Months 2017	Chg. 4M 2017 / 8M 2017
France	**555**	**1,228**	**-54.8%**
Mining	78	246	-68.3%
Front end	121	194	-37.6%
Back End	345	759	-54.5%
Corporate and other operations*	11	29	-62.1%
Europe (excluding France)	**235**	**205**	**+14.6%**
Mining	38	44	-13.6%
Front end	123	20	+515.0%
Back End	67	135	-50.4%
Corporate and other operations*	7	6	+16.7%
North and South America	**285**	**381**	**-25.2%**
Mining	83	103	-19.4%
Front end	104	111	-6.3%
Back End	97	167	-41.9%
Corporate and other operations*	1	0	n.m.
Asia-Pacific	**446**	**505**	**-11.7%**
Mining	269	383	-29.7%
Front end	122	69	+76.8%
Back End	54	53	+1.9%
Corporate and other operations*	0	0	n.m.
Africa and Middle East	**64**	**19**	**+236.8%**
Mining	38	11	+245.5%
Front end	22	7	+214.3%
Back End	4	1	+300.0%
Corporate and other operations*	0	0	n.m.
TOTAL	**1,585**	**2,239**	**-29.2%**

** "Corporate & Other operations" notably includes Corporate, Orano Med and Orano Projets operations.*

2.4.3 Consolidated financial statements for the past year

The consolidated financial statements for the financial year ended can be found in Appendix 7.1 of this report.

You are reminded that the data presented below relate to the 2017 financial year from September 1 to December 31, 2017, i.e. an exceptional duration of four months. These figures are not comparable to the preceding fiscal year, which covered an 8-month period.

2.4.3.1 Backlog

(in millions of euros)	4 Months 2017	8 Months 2017	Chg. 4M 2017 / 8M 2017
Backlog	**30,788**	**30,345**	**+443**

The group's backlog amounted to 30.8 billion euros at December 31, 2017, compared with 30.3 billion euros at August 31, 2017, representing almost eight years of revenue. At December 31, 2017, the backlog notably included uranium supply and conversion and enrichment orders for the Hinkley Point C (HPC) project.

2.4.3.2 Statement of income

Revenue

(in millions of euros)	**4 Months 2017**	**8 Months 2017**	**Chg. 4M 2017 / 8M 2017**
Consolidated revenue	**1,585**	**2,339**	**-754**
Mining	507	787	-280
Front end	492	401	+91
Back End	567	1,115	-548
Corporate and other operations	19	36	-17

The group's consolidated revenue amounted to 1,585 million euros at December 31, 2017, compared with 2,339 million euros at August 31, 2017.

Gross margin

(in millions of euros)	**4 Months 2017**	**8 Months 2017**	**Chg. 4M 2017 / 8M 2017**
Gross margin	355	403	-48
Percentage of consolidated sales	*22.4%*	*17.2%*	*+5.2 points*

The group's gross margin amounted to 355 million euros in the four months ended December 31, 2017, compared with 403 million euros in the eight months to August 31, 2017.

Research and development

The group's research and development expenses amounted to 36 million euros in the four-month period of 2017, compared with 51 million euros for the first eight months of 2017.

Marketing and sales, general and administrative expenses

The group's selling, general and administrative expenses amounted to 39 million euros in the four months ended December 31, 2017, compared with 115 million euros in the eight months to August 31, 2017.

Other operating income and expenses

Other operating expenses and income represent a net expense of 35 million euros in the four months ended December 31, 2017, compared with a net expense of 519 million euros in the eight months to August 31, 2017.

The restructuring costs are described in Note 5 to the consolidated financial statements. Intangible assets and property, plant and equipment are described respectively in Notes 10 and 11 to the consolidated financial statements.

Operating income

The group's gross margin amounted to 244 million euros in the four months ended December 31, 2017, compared with 281 million euros in the eight months to August 31, 2017. In the four months ended August 31, 2017, operating income was impacted notably by impairment losses on mining assets in the amount of 317 million euros, impairment losses on Comurhex II industrial assets in the amount of 164 million euros and provision for risks and uncertainties relating to dismantling and waste retrieval and packaging from front end facilities in the amount of 80 million euros.

Share in net income of joint ventures and associates

The share of net income of joint ventures and associates was a loss of 13 million euros in the four months ended December 31, 2017 (compared with a profit of 9 million euros in the eight months to August 31, 2017).

(in millions of euros)	**4 Months 2017**	**8 Months 2017**
COMINAK	(3)	(5)
ETC	(5)	15
SI-nerGIE	(6)	(1)
TOTAL	**(13)**	**9**

Net financial income

Net financial expense was -207 million euros in the four months ended December 31, 2017, compared with -58 million euros in the eight months to August 31, 2017. The change stemmed from the capital gains realized on the portfolio of securities earmarked for end-of-lifecycle operations, and dividends received over the 8-month period.

(in millions of euros)	**4 Months 2017**	**8 Months 2017**
Net borrowing costs [(expense)/income]	**(67)**	**(142)**
Other financial income and expenses	**(140)**	**84**
Of which share related to end-of-lifecycle operations	(57)	208
Of which share not related to end-of-lifecycle operations	(83)	(124)
NET FINANCIAL INCOME	**(207)**	**(58)**

Income tax

Tax expense was 4 million euros in the four months ended December 31, 2017, compared with 49 million euros in the eight months to August 31, 2017, due in particular to the implementation of Orano's new tax consolidation group from September 1, 2017. At December 31, 2017, no deferred tax assets have been recognized in connection with the tax loss carryforwards of the French entities included in the tax consolidation group.

Net income from operations sold or held for sale

Net income from operations sold or held for sale was 0.3 million euros in the four months ended December 31, 2017, compared with a loss of 2 million euros in the eight months to August 31, 2017.

Net income attributable to minority interests

The share of non-controlling interests in the group's profit in the four months ended December 31, 2017 was negative 12 million euros, compared with negative 120 million euros in the eight months to August 31, 2017. This share mainly includes the contribution of minority shareholders in the mining and enrichment businesses.

Net income attributable to owners of the parent

Net income attributable to owners of the parent was 8 million euros in the four months ended December 31, 2017, compared with a loss of 260 million in the eight months to August 31, 2017.

Comprehensive income attributable to owners of the parent

Including recyclable and non-recyclable items, comprehensive income attributable to owners of the group was a loss of 4 million euros in the four months ended December 31, 2017, compared with a loss of 276 million euros in the eight months to August 31, 2017.

2.4.3.3 Cash flows

Change in net debt

Items contributing to the change in the group's net debt for the year are presented below. It was calculated according to the French Accounting Board definition (sum of "cash and cash equivalents" less "current and non-current borrowings").

(in millions of euros)	**4 Months 2017**
Net debt at the beginning of the period (at August 31, 2017)	(2,332)
Operating cash flow	358
End-of-lifecycle cash flow	(786)
Cash flow from financing activities	(177)
Income tax paid	(75)
Dividends paid to minority interests	-
Other items	(23)
(NET DEBT)/NET CASH AT THE END OF THE PERIOD (AT DECEMBER 31, 2017)	**(3,036)**
CHANGE IN NET DEBT OVER THE PERIOD ENDED DECEMBER 31, 2017	**(704)**

The group had total net borrowings of 3 billion euros at December 31, 2017, compared with 2.3 billion euros at August 31, 2017. The increase of 0.7 billion euros in net debt was attributable chiefly to the exceptional contribution of 0.8 billion euros to end-of-lifecycle assets at the end of the year, partially offset by positive operating cash flow in the amount of 0.4 billion euros.

Comparative table of operating cash flows and consolidated cash flows

The group analyzes cash flows from operating activities separately from flows relating to end-of-lifecycle operations and other cash flows.

RECONCILIATION OF OPERATING CASH FLOWS AND CONSOLIDATED CASH FLOWS

The following table distinguishes operating cash flows from the other cash flows presented in the consolidated statement of cash flows for the period ended December 31, 2017.

(in millions of euros)	**Operating**	**Operations End-of-lifecycle operations[1]**	**Other[2]**	**Total**
EBITDA (i)	342			
Income from the sale of non-current operating assets and other non-cash operating items (ii)	(24)			
Cash flow from operations after financial interests and taxes (i + ii)	**318**	**(60)**	**(143)**	**115**
Change in working capital requirement (iii)	201	-	(113)	88
Net cash flow from operating activities (i + ii + iii)	**519**	**(60)**	**(256)**	**203**
Cash from (used in) investing activities, net of disposals (iv)	(155)	(725)	(58)	(938)
Net cash from (used in) financing activities (v)	(6)	-	(832)	(838)
Impact of changes in consolidation scope, rates, and marketable securities (vi)	-	-		
Net cash from discontinued operations (vii)	-	-		
Cash flow (i + ii + iii + iv + v + vi+ vii)	**358**	**(786)**	**(1,145)**	**(1,573)**

(1) Includes expenses for end-of-life-cycle operations incurred on-site and for final waste disposal, flows relating to the financial asset portfolio earmarked for end-of-life-cycle operations, and flows resulting from the signature of agreements with third parties for the funding by such parties of a share of end-of-life-cycle operations.

(2) That is, non-operating cash flows unrelated to end-of-lifecycle operations and mainly corresponding to financial cash flows, including cash flows related to exceptional external growth operations, dividends paid, and cash flows of a tax nature.

Operating cash flow

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

EBITDA fell from 602 million euros at the end of August 2017 to 342 million euros at the end of 2017.

Change in operating working capital requirement (operating WCR)

The change in operating WCR was -201 million euros at the end of 2017, compared with -149 million euros at the end of August 2017.

The positive change in net working capital is primarily attributable to

- The seasonality of the Mines and Front End businesses. After an 8-month reporting period ended August 31, 2017 showing a sharp increase in inventories, these activities saw increased deliveries and cash receipts in the 4-month period ended December 31, 2017.
- The impact of the invoicing lag to year-end in "Corporate and other operations."

Net operating CAPEX

The group's net operating capex totaled 161 million euros in the four months ended December 31, 2017, compared with 443 million euros in the eight months to August 31, 2017.

Operating cash flow

As a result of the items described above, operating cash flow amounted to 358 million euros in the four months ended December 31, 2017, compared with 10 million euros in the eight months to August 31, 2017.

Cash flows related to end-of-lifecycle operations

Over the last four months of 2017, cash flows related to end-of-life operations were a negative 786 million euros, compared with a negative 38 million euros over the first eight months of 2017, due mainly to the 812-million-euro contribution to end-of-lifecycle assets.

Consolidated statement of cash flows

The condensed consolidated statement of cash flows is presented below.

(in millions of euros)	**4 Months 2017**	**8 Months 2017**	**Chg. 4M 2017 / 8M 2017**
Cash flow from operations before interest and taxes	330	493	-163
Interest expense and taxes paid	(215)	(309)	+94
Cash flow from operations after interest and taxes	**115**	**184**	**-69**
Change in working capital requirement	88	(79)	+167
Cash from operating activities	**202**	**105**	**+107**
Cash used in investing activities	(938)	(391)	-547
Cash from (used in) financing activities	(838)	2,366	-3,204
Impact of foreign exchange movements	-	*(14)*	*+14*
Cash from operations sold, discontinued or held for sale	-	2	-2
INCREASE (DECREASE) IN NET CASH	**(1,573)**	**2,067**	**-3,640**
Net cash at the beginning of the period	3,450	1,382	+2,068
NET CASH AT THE END OF THE YEAR	**1,877**	**3,450**	**-1,573**

2.4.3.4 Balance sheet items

CONDENSED BALANCE SHEET

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
Net goodwill	1,193	1,204
Property, plant and equipment (PP&E) and intangible assets	8,436	8,474
End-of-lifecycle assets	7,265	6,376
Operating working capital requirement – assets	2,923	3,112
Net cash	1,950	3,504
Deferred tax assets	101	157
Other assets	346	371
TOTAL ASSETS	**22,212**	**23,198**
Equity and minority interests	952	950
Employee benefits	1,382	1,358
Provisions for end-of-lifecycle operations	7,545	7,480
Other current and non-current provisions	2,000	1,962
Operating working capital requirement – liabilities	5,046	5,287
Borrowings	5,105	5,906
Deferred tax liabilities	33	21
Other liabilities	150	234
TOTAL LIABILITIES	**22,212**	**23,198**

Non-current assets

Net goodwill

Net goodwill went from 1,204 million euros at August 31, 2017 to 1,193 million euros at December 31, 2017, a decrease of 11 million euros.

Net property, plant and equipment and intangible assets

Net property, plant and equipment and intangible assets declined from 8,474 million euros at August 31, 2017 to 8,436 million euros at December 31, 2017.

Operating working capital requirement

The group's operating working capital requirement (operating WCR) was negative (i.e. a source of funds) in the amount of 2,123 million euros in the four months ended December 31, 2017, compared with a negative 2,175 million euros in the eight months to August 31, 2017.

Net cash and borrowings

At December 31, 2017, Orano had a net cash balance of 1.9 billion euros, a drop of 1.6 billion euros. This fall is notably due to the repayment of a 0.8-billion-euro bond on October 5, 2017 and the exceptional contribution of 0.8 billion euros to end-of-lifecycle assets. This contribution resulted in an increase in the ratio for end-of-lifecycle liabilities covered by earmarked assets to 101% as at December 31, 2017.

In addition, the capital increases reserved for Japan Nuclear Fuel Ltd (JNFL) and Mitsubishi Heavy Industries (MHI), in the total amount of 500 million euros and completed on February 26, 2018, will help to consolidate the level of cash in 2018.

Furthermore, Orano's short-term borrowings at December 31, 2017 amounted to 429 million euros. They include in particular the 59 million-euro bond due in September 2018, plus 52 million euros of accrued interest not yet due, the amortization of the loan backed by certain future revenue from the Georges Besse II enrichment plant for 60 million euros, the 137 million euros in interest-bearing advances, bank overdrafts and current accounts with credit balances of 73 million euros.

The group had total net borrowings of 3.0 billion euros at December 31, 2017, compared with 2.3 billion euros at August 31, 2017. The increase of 0.7 billion euros in net debt was attributable chiefly to the exceptional contribution of 0.8 billion euros to end-of-lifecycle assets at the end of the year.

RECONCILIATION BETWEEN NET CASH REPORTED IN THE STATEMENT OF CASH FLOWS AND NET CASH (DEBT) REPORTED IN THE STATEMENT OF FINANCIAL POSITION

(in millions of euros)	**4 months 2017**	**8 Months 2017**	**Change 4M 2017/ 8M 2017**
Net cash per statement of cash flows	**1,877**	**3,450**	**-1,573**
Short-term bank facilities and non-trade current accounts (credit balances)	73	54	+19
Net cash from (used in) operations held for sale	-	-	-
Financial instruments, margin calls and collateral	119	70	+49
Borrowings	(5,105)	(5,906)	+801
NET CASH (DEBT)	**(3,036)**	**(2,332)**	**-704**

Orano's equity

Group equity totaled 952 million euros at December 31, 2017, compared with 950 million euros at August 31, 2017.

Assets and provisions for end-of-lifecycle operations

The change in the financial position from August 31, 2017 to December 31, 2017 with regard to assets and liabilities for end-of-lifecycle operations is summarized in the table below.

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
Assets		
End-of-lifecycle assets	**662**	**611**
of which Orano's share (to be amortized in future years)	509	496
of which third-party share	153	115
Assets earmarked for end-of-lifecycle operations	**7,112**	**6,261**
Shareholders' equity and liabilities		
Provisions for end-of-lifecycle operations	**7,545**	**7,480**
of which provisions for end-of-lifecycle operations to be funded by Orano	7,276	7,233
of which provisions for end-of-lifecycle operations to be funded by third parties	269	247

The change in assets and provisions for end-of-lifecycle operations is described in Note 12 to the consolidated financial statements.

2.4.3.5 Key figures by business segment

Orano mainly combines the nuclear fuel cycle activities housed in the Orano Mining and Orano Cycle subsidiaries: Mining, Front End (Chemistry and Enrichment) and Back End (Recycling, Logistics, Dismantling and Services) and corporate activities, provided mainly by Orano Support.

The key figures of Orano for the period ended December 31, 2017 are presented by business segment below.

(in millions of euros)	**4 Months 2017**	**8 Months 2017**	**Changes 4M 2017 / 8M 2017**
Revenue	**1,585**	**2,339**	**-754**
- Mining	507	787	-280
- Front End	492	401	+91
- Back End	567	1,115	-548
- Corporate and other operations*	19	36	-17
EBITDA	**342**	**602**	**-260**
- Mining	234	406	-172
- Front End	124	157	-33
- Back End	80	164	-84
- Corporate and other operations*	(97)	(126)	+29
Operating income	**244**	**(281)**	**+525**
- Mining	154	(46)	+200
- Front End	104	(92)	+196
- Back End	39	38	+1
- Corporate and other operations*	(53)	(182)	+129
Operating cash flow	**358**	**10**	**+348**
- Mining	221	267	-46
- Front End	120	(86)	+206
- Back End	91	66	+25
- Corporate and other operations*	(74)	(236)	+162

** "Corporate & Other operations" notably includes Corporate, Orano Med and Orano Projets operations.*

You are reminded that the data presented below relate to the 2017 financial year from September 1 to December 31, 2017, i.e. an exceptional duration of four months. These figures are not comparable to the preceding fiscal year, which covered an 8-month period.

2.4.4 Parent company financial statements for the past year

Please refer to Appendix 7.2 of this report.

2.4.5 Dividends

In accordance with article 243 bis of the General Tax Code, we hereby remind you that no dividend has been paid for the past three financial years.

2.4.6 Non-deductible expenses

In addition, we hereby inform you, in accordance with article 223 quater of the French General Tax Code, that no sum has been recorded in the past year for expenses or charges which are not deductible for tax purposes, as referred to in Article 39-4 of the General Tax Code.

2.5 **Foreseeable developments and future prospects**

2.5.1 Outlook

Thinking on future strategies has identified positive long-term prospects for the nuclear markets while Orano's main businesses face a challenging environment..

Consequently, the group has launched the roll-out of its new strategic action plan, with a focus on 3 main objectives:

- **To generate positive net cash flow from company operations with effect from 2018**

  This objective will be achieved through:

  - The extended managerial transformation of the group and the industrial platforms, through operational excellence, including industry 4.0, with the aim of improving safety, quality, costs and delivery times for customers;
  - Continued efforts to reduce operating costs and boost productive investment, as part of a new performance program for the 2018-2020 period, entitled "**Value 2020**", which concentrates on the following:
    - o reducing operating and central costs through efforts focused on purchasing and on innovative initiatives such as digital transformation;
    - o effective productive investment and end-of-lifecycle expenses through the digitization of the group's tools, while prioritizing investment in future performance and business development.

  This performance program aims to achieve recurring cash gains (visible through net cash flow from company operations) of €250 million on an annual basis compared with 2017, with effect from 2020.

- **To mobilize more than one of every two employees in the service businesses from 2020**

  - This change will primarily concern the back end of the cycle: engineering, logistics, dismantling-waste, but also the ancillary services of the group's industrial platforms.
  - This transformation toward the service businesses will notably involve the development of operations and new sources of profitability, on the basis of the group's businesses and without increasing exposure to risk.

- **To derive 30% of revenue from Asia in 2020.**

  - This objective will be achieved thanks to the implementation of an ambitious business development plan in Asia, and in particular in China, Japan and South Korea, whilst continuing to work on satisfying our longstanding partners elsewhere in the world.

The human resources policies contribute to the achievement of these three objectives, with:

- a master plan aiming to retain and develop key skills for operations and customers;
- the continued modernization of articles of association in the group, in order to facilitate the mobility needed to develop skills, and improve alignment with market practices and customer requirements;
- training and recruitment programs aligned with the group's growth objectives for its businesses, in particular services;
- a return to an active recruitment policy for engineers and management personnel, as well as operators and technicians.

2.5.2 Orano's financial outlook

2.5.2.1 **2018 outlook**

In the context of market price erosion, the group intends to achieve the following in 2018:

- resilient EBITDA performance despite a moderate decline in revenue, with a margin of between 20% and 23%, notably thanks to the implementation of the **Value 2020** performance plan;
- positive net cash flow from company operations, thanks to the combined benefits of the restructuring of the group and the performance plan.

These objectives reflect unfavorable one-off impacts linked to:

- the industrial transition in progress at the Comurhex I site towards Comurhex II;
- ongoing expenses linked to the Voluntary Departure Plan;
- the completion of transactions with minority partners (associated with the Tricastin platform), an element that will impact only net cash flow from company operations.

2.5.2.2 2020 outlook

The group intends to achieve the following by 2020:

- an EBITDA margin of between 22% and 25%, in the context of a return to growth in revenue;
- sustainably positive net cash flow from company operations.

This 2020 outlook does not take into account the proposed spent fuel treatment and recycling plant in China which is currently under negotiation. It may also be reviewed following the revision of the Multi-Year Energy Program (*Programmation Pluriannuelle de l'Energie* - PPE) expected by the end of 2018.

2.6 Significant events since the date of closing

2.6.1 Significant events between the date of closing and the date of preparation of the Management Report

On February 26, 2018, the second capital increase reserved for MHI and JNFL, in a total amount of 500 million euros, was completed.

2.6.2 Important events between the date of report preparation and the date of the General Meeting

No significant future events liable to have an impact on the group's financial statements have been identified between the date of this report and the date of the General Meeting.

3 Risks and risk management

This chapter details Orano's risks and how it manages them. The methodology adopted, as well as putting it into writing, also permit the group to meet its obligations in terms of a consolidated statement of non-financial performance and in terms of risk mitigation, known in French law as "corporate duty of care." Presented here therefore are the main risks related to the group's business activities, the policies applied, the actions carried out to control risks and the results obtained, including the key performance indicators with respect to the data required by the statement of non-financial performance.

Below you will find a cross-reference table of the data required in the statement of non-financial performance (Articles L. 225-102-1 and R. 225-104 to R. 225-105-2 of the French Commercial Code) and those required by the French Corporate Duty of Care Act (Article L. 225-102-4 of the French Commercial Code).

	Statement of non-financial performance Article L. 225-102-1 of the CC	**Corporate duty of care** Article L. 225-102-4 of the CC	**Sections of the activity report of 12.31.2017**
Business model (Situation and business activities of the Company and its subsidiaries)	✓		**Section 2**
Risk mapping and risk management processes	✓	✓	**Section 3.1**
Whistleblowing provisions		✓	**Section 3.2**
Risks related to health and safety*	✓	✓	**Section 3.3**
Risks related to nuclear safety and the environment*	✓	✓	**Section 3.4**
Risks related to human resources	✓	✓	**Section 3.5**
Risks related to subcontracting and suppliers	-	✓	**Section 3.6**
Risks associated with corruption and influence-peddling	✓	-	**Section 3.7**
Risk of food waste	✓	-	**Section 3.8**
Risks related to the group's business activities	-	-	**Section 3.9**
Legal risks	-	-	**Section 3.10**
Financial risks	-	-	**Section 3.11**
Other risk	-	-	**Section 3.12**

* *Since the 2016 data are not available at constant scope, they are not presented in sections 3.3 and 3.4*

Despite a 4-month reporting period, the data presented in the statement of non-financial performance cover a 12-month period, or one of four months if the data are available.

The report of the independent third-party organization on the statement of non-financial performance is found in Appendix 7.11 to this annual activity report.

3.1 Risk mapping and risk management processes

3.1.1 Risk management policy

3.1.1.1 Risk management

3.1.1.1.1 General organization in the area of risk management and control

The purpose of the risk management policy and insurance is to protect the group's operations, performance and strategic objectives.

The Risk Committee coordinates, for all nuclear operations and on a worldwide basis, the analysis of the Group's key risks and the implementation of the action plans necessary to limit those risks. Its composition brings together the key functional areas in the Company that can provide special expertise or knowledge, enabling it to assess the criticality of certain risks and their potential consequences.

The members of the Risk Committee are:

- the Chief Financial and Legal Officer (Chairman of the Committee);
- the Senior Executive Vice President of Human Resources, Communications, Property and the Work Environment;
- the Senior Executive Vice President of Customers, Strategy, Innovation and R&D;
- the Senior Vice President of Safety, Health, Security and the Environment;
- the Senior Vice President of Insurance;
- the Senior Vice President of Risk and Internal Audit;

- the Secretary of the Risk Committee.

The Risk Committee may call on expertise from throughout the group to accomplish its mission.

The Risk and Internal Audit Department develops methodological tools to ensure the consistent treatment of risk among the group's different entities, assists them in their use and promotes the exchange of best practices. The Risk and Internal Audit Department consolidates risk assessment for the group. In terms of financing, the Insurance Department recommends the trade-offs between bearing a portion of these risks and transferring them to the insurance and reinsurance markets through the group's worldwide comprehensive programs. This specific point is discussed further in Section 3.1.1.2 *Risk hedging and insurance* below.

3.1.1.1.2 Risk mapping

The principal objectives of risk mapping are to:

- the formal identification of every type of risk;
- the characterization of these risks in order to prioritize them;
- the definition and implementation of action plans of actions to limit them.

The Risk and Internal Audit Department steers this initiative by:

- setting up methodological software tools and common guidelines;
- leading a network of "risk" liaisons deployed in the operational units.

The mapping is presented every year to the Risk Committee, which prepares an initial summary.

Before being approved by the Chief Executive Officer, this summary is discussed by the members of the Executive Committee (COMEX):

- the Chief Executive Officer;
- the Senior Executive Vice President of Customers, Strategy, Innovation and R&D;
- the Chief Legal and Financial Officer.
- the Senior Executive Vice President of Human Resources, Communications, Property and Work Environment;
- the Senior Executive Vice President of Performance;
- the Senior Executive Vice President of the Mining Business Unit;
- the Senior Executive Vice President of the Chemistry/Enrichment Business Unit;
- the Senior Executive Vice President of the Recycling Business Unit;
- the Senior Executive Vice President of the Dismantling and Services Business Unit;
- the Senior Executive Vice President of the Logistics Business Unit;
- the Senior Executive Vice President of the Projects Business Unit;

The final summary approved by the Chief Executive Officer is then presented to the Audit and Ethics Committee of the Board of Directors.

This approach covers all entities within the Orano group.

The group's multiyear audit plan builds among other things on risk mapping results, which are updated every year. Audit assignments are then conducted by the Risk and Internal Audit Department to ensure that action plans to limit the risks are properly carried out.

3.1.1.1.3 Risk analysis and control

Managing risk entails, among others:

- a continuous documented process including the identification, analysis, prioritization, optimization, financing and monitoring of risks;
- a wide scope of action, covering all the operational (investments, manufacturing, sales, execution of projects or services, etc.) and functional (financing, legal constraints, contractual obligations, organization, human relations, etc.) activities of the group;
- the development of continuity and crisis management plans.

As for all upward reporting of the Company's data, the business risk modeling process focuses on the three operating levels used by the group:

- Management entities (the elementary level of information production)
- Business Units (performance analysis grid)
- The group (the Orano group management network)

ORANO GROUP RISK MAPPING PROCESS IN 2017

The first stage of the risk management process is to identify the risk using a Business Risk Model (BRM) drawn up for the use of the operating units. The BRM lists, in a set number of families of risks, all of the situations or foreseeable or unexpected events that may impact the security of the staff, the financial results of a business unit or of the group or its brand image.

The BRM is designed to evolve over time by incorporating best practices and feedback from users.

The establishment of the risk map is the time for collecting recommendations and decision-making components concerning the implementation of action plans designed to optimize the management of each risk and render the residual risk acceptable to the group. The operating units are responsible for identifying, analyzing and prioritizing their risks, and for managing them by implementing action plans using appropriate means.

In each business unit, the risk management coordinators provide their management with a cross-business picture of risks and of how the sites and entities are managing them. The Risk Committee is then informed of the status of action plans and decides which risks affect the group's strategic objectives.

The risks relating to nuclear safety, the environment, the physical protection of the facilities and their security are managed by the operational units with the support of the Company's specialized corporate departments, and monitored by national or international authorities.

Finally, the Orano group shows its commitment to transparency in its risk management, in particular, in the publication by the main sites of the results of environmental measures and more generally in the implementation of the Nuclear Safety Charter as it applies to its operations. A measurement and reporting protocol frames the calculation and measurement of sustainable development indicators published by the group.

3.1.1.1.4 Risk management related to the group's industrial operations

In terms of regulation, the industrial facilities operated by Orano are categorized by level of risk and the quantity of nuclear material or chemical substances present.

Besides the means of preventing and countering malicious acts, along with civil safety measures in the event of accident, facility safety consists in particular in:

- ensuring the protection of employees, the population and the environment against the harmful effects of ionizing radiation and chemical substances;
- defining and implementing the measures intended to prevent accidents and limit their effects.

3.1.1.2 Risk coverage and insurance

To limit the consequences of certain potential events on its operations and financial position, Orano uses risk transfer techniques with leading insurers and re-insurers on the international markets. For example, Orano has acquired insurance coverage for its industrial risks, its civil liability and other risks related to its operations, both nuclear and non-nuclear. The amount of the respective guarantees varies according to the type of risk and the group's exposure.

Some risk factors, were they to materialize, could be covered by one or several of the insurance policies taken out by the group as part of its insurance programs.

The insurance program is led by the group's Insurance Department, which:

- proposes to the Executive Management of the group and its subsidiaries internal financing solutions or the transfer of these risks to the insurance market;
- negotiates, implements and manages the global worldwide insurance programs for the entire group and reports to group Executive Management on the actions undertaken and costs incurred;
- negotiates, in support of the subsidiaries concerned, the payment of claims.

3.1.1.2.1 Worldwide group insurance programs

Civil liability

The group is covered by a "worldwide" civil liability program with limits appropriate to its size and operations. The program covers:

- operating liability, relating to operating activities and services rendered on customer premises;
- post-delivery civil liability;
- professional civil liability, which deals with the financial consequences of damage following the provision by a group company of an intellectual service.

It is also covered for liability for environmental damage, for damage to property held on behalf of third parties and for product recall expenses, among others.

The program covers the monetary consequences of civil liability likely to be incurred by the operating entities due to their operations, including bodily harm, property damage and consequential damage suffered by third parties, excluding nuclear operator liability. Certain events not usually covered by insurance, such as landslides, damage from asbestos, or damage caused by computer viruses, are also excluded. The coverage levels for liability insurance are based on the amounts of coverage available on the insurance market, and the quantification of the risks reasonably foreseen by the group and identified by the operational units when the risk mapping is carried out.

Coverage relating to nuclear facility operations

For a description of the insurance taken out related to the nuclear facility operator activities, see Section 3.9.1.

3.1.1.2.2 Outlook and trends in 2018

The Orano group insurance programs will be renewed in April 2018.

3.1.2 System of internal controls

3.1.2.1 Introduction

The scope of the internal controls described below applies to Orano as parent company and to all of the companies it controls, regardless of their legal form.

3.1.2.1.1 Commitments of the Orano group

Orano has defined and implements fundamental commitments regarding the conduct of its operations. The environment for internal controls is based on these commitments, among others.

The group has published a Code of Ethics (available on the Orano website: www.orano.group) as well as the compliance policy which controls the implementation. Orano subscribes to this Code of Ethics in full; it applies *mutatis mutandis* to all of the group's operations.

The Code of Ethics to which the entire group subscribes is the reflection of the group's culture of compliance and the expression of its commitments, especially as regards sustainable development and respect for human rights. It sets forth the group's Commitments and Expectations with regard to its stakeholders, and the Action Principles and Rules of Conduct which apply to all of the group's executives and employees as well as to the members of the Board of Directors. In the Code of Ethics, which is available on the intranet, the group also reiterates its uncompromising commitment to fighting corruption and fraud relating to quality.

This Code has been supplemented by compliance policies relating to anti-corruption, fair competition, financial ethics and insider-trading rules.

In 2017, the group's Director of Compliance led the annual report process on compliance with the Code of Ethics and presented the 2016 executive summary of the report to the Audit and Ethics Committee of the Board of Directors.

The Company continues to carry out its program of greater compliance and ethical standards. This initiative reflects Orano's desire to rise rapidly to the highest level of standards of publicly traded companies. In this connection, there is a whistleblowing procedure in place. The latter is supplemented by:

- annual ethics reports;
- an annual "individual compliance commitment letter" for all senior executives or persons in positions of responsibility within the group.

Concerning the procedures required by the Sapin 2 Law, Orano called on an independent external adviser experienced in this area to undertake a full review of its anti-corruption compliance system to ensure its robustness in the light of the requirements of the Law.

3.1.2.1.2 Internal control standards

In the "Frame of Reference for Internal Control" of the Autorité des marches financiers (AMF), to which the group defers (guidelines based on the COSO), the internal control system is characterized by:

- an organization with a clear definition of responsibilities, sufficient resources and expertise, and appropriate information systems, procedures, tools and practices. One person has been designated as responsible for each of the policies implemented;
- the internal dissemination of relevant and reliable information enabling each person to discharge his or her responsibilities;
- a system to identify, analyze and manage risk;
- control activities designed to reduce this risk; and
- continuous monitoring of the internal control system.

The group ensured that the approach taken is consistent with the standards of the AMF. In particular, it verified the consistency between:

- the "implementing guidelines for the internal control of accounting and financial information published by the issuers included in the frame of reference"; and
- the procedure used by the group as a self-audit of its internal control (INCOME Self Audit), whose purpose is to make sure the group follows the framework in every respect (see Section 3.1.2.6 *Continuous oversight of the internal control system*).

3.1.2.1.3 Internal control objectives

The Orano group internal control system is consistent with the commitments made as to the conduct of its business, particularly those written into its Code of Ethics.

The internal control system helps to manage risks and operations. They aim in particular to ensure:

- compliance with applicable regulations;
- implementation of instructions and guidelines set by the governing bodies;
- the smooth functioning of the group's internal processes, in particular those contributing to the preservation of its assets;
- the reliability and quality of the information produced and communicated, with particular emphasis on financial information.

The scope of internal control is not limited to procedures for ensuring the reliability of accounting and financial information.

However, no matter how well designed and implemented, internal control mechanisms are not sufficient by themselves to guarantee with absolute certainty that these objectives are met.

3.1.2.2 Organization, governance, resources, information systems and operating procedures

Implementing the internal control system is a group-wide effort. It is undertaken by all employees, under the responsibility of the management bodies.

3.1.2.2.1 Organizational structure of the Company

The Orano group has a single corporate governance structure with a Board of Directors.

Accordingly, as described in Chapter 4 of this report, the Board of Directors is responsible inter alia for setting the group's strategy, and approving major investments and sensitive or significant commercial offers, relying in this on preparatory work done by the four permanent Committees that it has created (see paragraph 4.2 Committees set up by the Board of Directors).

The Chief Executive Officer is responsible for the company's executive management and represents the company in its relations with third parties. In addition to the powers conferred on him by law, and subject to the limitations set forth in the Articles of Association or in the Board of Directors' Rules of Procedure, the Chief Executive Officer is responsible for:

- defining the group's performance objectives (financial, commercial, operational, nuclear safety, occupational safety, etc.) and their breakdown by business, and monitoring their achievement;
- allocating the group's resources (human resources, financial resources, etc.);
- defining organizational principles and processes to serve customers and build talent.

At the end of December 2017, the internal organization supporting the Chief Executive Officer was as follows:

a. an Executive Committee consisting of:

- the Chief Executive Officer;
- the Senior Executive Vice President of Customers, Strategy, Innovation and R&D;
- the Chief Legal and Financial Officer;
- the Senior Executive Vice President of Human Resources, Communications, Property and the Work Environment;
- the Senior Executive Vice President of Performance;
- the Senior Executive Vice President of the Mining Business Unit;
- the Senior Executive Vice President of the Chemistry-Enrichment Business Unit;
- the Senior Executive Vice President of the Recycling Business Unit;
- the Senior Executive Vice President of the Dismantling and Services Business Unit;
- the Senior Executive Vice President of the Logistics Business Unit;
- the Senior Executive Vice President of the Projects Business Unit.

b. Corporate departments

The main corporate departments, which carry out oversight missions relating to control and compliance with the group's rules, are:

- the Finance and Legal Department;
- the HR, Communications, Property, Work Environment Department;
- the Risks and Internal Audit Department;
- the Customers, Strategy, Innovation and R&D Department;
- the Compliance Department;
- the Protection Department;
- the Safety, Health, Safety, Environment Department;
- the Performance Department.

c. Policies and procedures

Lastly, a set of policies and procedures ensure the proper functioning of the group's governance at every level of the organization.

3.1.2.2.2 Definition of responsibilities and authority

The group has a frame of reference which clearly defines powers and duties. It is based on:

- an official organizational handbook detailing the duties and responsibilities at group, Operational Division and functional levels, in particular;
- organization notes for the business units and central departments;
- delegations of authority formalized under the procedure "Delegation of Authority - Thresholds and Decision Channels", which define the internal rules for authorizations and decisions relating to the main operational processes;
- delegations of authority and signature authority throughout the group to conduct business as appropriate at each level in a manner which is consistent with applicable laws and regulations.

The definition of the organization and delegations of authority complies with the principle of the separation of duties. In particular, governance and internal control principles applicable to delegations of authority set financial limits by type of transaction, for which information must be provided to or authorization received from the competent bodies.

3.1.2.2.3 Human resources management policy

Under economic and financial conditions that remain difficult, the human resources policy is primarily concerned with the following areas:

- negotiating and continuing to implement the Human Resources component of the group's performance plan (end of the voluntary departure plan, reduction in staff costs, transformation of organizational units);
- continue to promote and manage internal mobility while ensuring that key skills are retained;
- develop executive and manager leadership skills, a driver for the commitment and mobilization of the managerial body.

3.1.2.2.4 Information systems

The mission of the Information Systems Department (DSI) is to provide project oversight and to ensure the availability, confidentiality and integrity of the group’s information systems. To accomplish this, it is organized to meet the following objectives:

- orient the information system towards services to the group’s businesses, in alignment with the organization of the group’s processes;
- standardize, streamline and consolidate the technical and functional infrastructure to ensure its performance and reliability, taking into account economic, geographic and security-related considerations.

3.1.2.2.5 Operating procedures

General internal control procedures

The group’s internal control procedures consist of rules, directives and operating procedures defined by the governing bodies.

Supplementing this, the subsidiaries and businesses have translated their internal control systems into charters and policies.

The charters establish rules of governance and principles for internal controls, as follows:

- the nuclear safety charter, whose purpose is to specify the group's commitments in the area of nuclear safety and radiation protection, to ensure that this requirement is met throughout the facilities' operating period;
- the audit charter that describes the objective, missions, roles and responsibilities and the procedures in effect in the group’s Risk and Internal Audit Department;
- the network security charter that defines the organizing principles of the of IT communication network together with the rules to be followed in order to be able to access the various services.

Policies define the operating principles and procedures that are a step above specific business procedures. In particular, the group has the following policies:

- the group’s compliance policy, which governs the implementation of the Code of Ethics;
- the purchasing policy and ethical purchasing guidelines, which lay down the rules, objectives and best practices in terms of procurement and ethics;
- the secure means of payment policy, which defines the group's policy in respect of ensuring payment means are secure and the measures to be implemented to limit the risk of fraud;
- the policy for the protection of persons, designed to give equal protection to the employees of the group, whether they are foreign or local, or on assignment;
- the health, safety, security and environmental policies that establish the rules of conduct for a permanent reduction in risks;
- the human resources policy designed to increase the Company's collective performance in developing the talents and skills of each individual;
- and, lastly, in 2017 the group adopted a quality policy.

Consistent with the principle of subsidiarity and to ensure the assimilation of these instructions, the operational departments adapt the procedures to their specific circumstances prior to implementation within their entities.

Accounting and financial reporting procedures

Overall organization

Information processing and reporting is organized at three operational levels: management entities (the elementary level of information production), business units (performance analysis grid) and group (the Orano management grid).

Instructions for consolidation are issued by the group’s Financial Management Control and Accounting Department for all half-year and annual financial statements. These instructions include:

- the schedule for preparing accounting and financial information for reporting purposes;
- the process for validating this information;
- items requiring particular attention, such as complex issues, changes in the legal environment and new internal procedures;

- the consolidation liaisons (based at the corporate level) are responsible for the validation of the consolidation submissions of a portfolio of entities. They also perform crosscutting analyses (corresponding to the notes to the consolidated financial statements) for the entire group.

The group's Legal and Financial Department has modeled the group's key financial processes, and provides all those involved in these processes (corporate departments and business units) with a complete up-to-date and shared documentary database allowing the processes to be documented and linking them with the procedures in effect within the group.

The modelled processes are available on a dedicated intranet space and are updated regularly to reflect changes in the organization.

Implementation and control of accounting principles

The reporting entities' financial statements are prepared in accordance with the group's accounting and financial principles. These rules apply to all entities included in the group's consolidation scope. This manual includes:

- a glossary that defines the main headings of the financial statements and the group's performance indicators;
- an annotated chart of accounts; and
- applicable procedures issued by the Management and Accounting Control Department.

This manual is supplemented by procedures and instructions issued and reviewed regularly by the other finance departments (the Financial Operations and Cash Department, the Financial Communications Department, the Tax Department) and the business units, and includes procedures and instructions dealing specifically with internal control and fraud.

The "standards and procedures" function of the Management Control and Accounting Department defines and distributes information relating to implementation of the management control and accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the consolidated financial statements are prepared in accordance with IFRS rules adopted by the European Union.

With particular respect to the company financial statements of the legal entities, the group's accounting departments regularly ensure that the procedures in use meet all the requirements of the locally applicable accounting standards. For example, in entities located in France, such as Orano SA in particular, the procedures are aimed at ensuring that the published company financial statements are in strict compliance with French accounting standards (French GAAP).

3.1.2.2.6 Software

In addition to office automation software used by employees, the group has special software customized for the conduct of its operations.

These are tools of all kinds (facilities management systems, integrated management systems, methodologies, sets of indicators, Visual Performance Management, etc.) and assist in the management of all operational activities.

The group uses a single, secure shared reporting and consolidation tool throughout all the consolidated entities, under the direction of the Finance Department.

In addition, organizational notes and standards and procedures applicable to the entire group are distributed using a dedicated software application.

Lastly, Orano uses one tool for all SAP systems critical to the group ("core systems") whose purpose is to maintain the level of internal control and to streamline management of access to the management information system. The main purpose of this tool is to secure the access management process by ensuring that user roles are defined according to best practices for the separation of duties and by automating their management with the SAP Governance, Risk and Compliance suite (SAP GRC).

3.1.2.2.7 Internal control steering and practices

The organization of the internal control is based on all these elements together with the practices of all employees, which are in turn based on the group's undertakings, such as its Code of Ethics, the principles of sustainable development and so forth.

The internal control function, jointly coordinated by the Internal Audit Department and the Finance Department within the Internal Control Committee, relies on a network of internal control coordinators appointed in each of the business units, whose main objectives are:

- to ensure the distribution of information concerning decisions made and their application by the entities ("top-down"); and
- to roll up specific points requiring attention from the entities to the Internal Control Committee ("bottom-up").

The Risk and Internal Audit Department is in charge of monitoring and updating the performance of the internal control system for the group's governing bodies, particularly through the self-audit exercise. In connection with this mission, it provided support to operational management, the functional departments and the shared service centers to strengthen existing systems by means of preventive and corrective actions.

The person responsible for internal accounting and financial controls is tasked more specifically with issues related to internal accounting and financial controls, and works closely with the Risk and Internal Audit Department.

3.1.2.3 Dissemination of information

Bottom-up and top-down information channels have been established to communicate relevant and reliable information in a timely manner.

- Bottom-up information:
  - accounting and finance information is reported and processed following specific processes and using shared tools to check and record the data (i.e. a single, secure software program for reporting and consolidation shared by the entire group and supervised by the Finance Department);
  - the achievement of performance objectives (business units and functional departments) and transformation plans are systematically tracked, through the progress made on the relevant actions plans, on a monthly (Monthly Business Reviews) and quarterly (Quarterly Business Reviews) basis, primarily at the Executive Committee level.

- Top-down information:
  - the group's relevant departments and entities are informed of resolutions by the corporate decision-making bodies;
  - the group monitors laws and regulations on nuclear safety, occupational safety, health, the environment, accounting and taxation, and disseminates this information throughout the group as appropriate. A manual of the organization and procedures in place is used to disseminate the applicable organization memos, rules, standards and procedures.

Communications with stakeholders are framed in plans designed to ensure and uphold the quality of the information provided.

3.1.2.4 Managing risk and setting objectives

3.1.2.4.1 Risk identification and management

The group drew up a business risk map when it was established to take into account the potential impact of events on the achievement of the group's strategic and operational objectives. The Orano Risk and Internal Audit Department, in collaboration with the Risk Managers of the business units (each of which has a network of risk managers in its operating entities) updates the mapping yearly.

In 2017, it was reviewed by the Risk Committee and approved by the Company's Chief Executive Officer after being shared with the members of the Executive Committee. The business risk map was presented to the Audit and Ethics Committee of the Board of Directors.

In particular:

- the operational and functional management teams have approved the assessment of risk in their operations. For example, all of the group's entities collected, analyzed and measured the risk factors of their respective operations. They also prepared mitigation plans and management procedures to minimize the risk and have designated the people in charge and the schedule for completion;
- the members of the Executive Committee have identified and formalized a list of the group's major risks and have appointed, for each risk, a "designated" member. More specifically, the latter is responsible for ensuring there is an appropriate action plan and reporting on its progress to the Risk Committee, the Executive Committee and the Company's governance bodies;
- based on this work, the main risk factors identified are described in Sections 3.3 to 3.12 below. Matters pertaining to nuclear safety and industrial safety, which are an absolute priority for the group, are discussed in that section;
- in a context of significant change in the scope and organization of the group involving many entities, all management and control bodies have, during this period of transition, ensured strict compliance with the rules in force as well as the proper functioning of all processes for ensuring the robustness of the internal control systems;
- finally, in 2017, with the assistance of a consulting firm, the annual mapping of risks was supplemented by a detailed mapping of the risks associated witth corruption and influence-peddling.

In addition, the mission of the Safety, Health, Security and Environment Department is to oversee the management of industrial risks and, on a practical level, to ensure, together with the business units concerned, the implementation and smooth deployment of the action plans aimed at reducing these risks.

During the year, the reporting of the group's major capital or commercial projects was presented on a regular basis to the Audit and Ethics Committee by the managers in charge and the Finance Department, ensuring that the control bodies are aware of changes in the risks related to these projects.

3.1.2.4.2 Setting objectives

In 2017, the group's objective-setting process was written into the Company's Strategic Action Plan, approved by the Strategy and Investments Committee.

3.1.2.5 Control activities

The functional departments, acting on behalf of the group's management bodies, deploy their policies and ensure their correct implementation. In particular, the Management and Accounting Control Department defines and ensures the application of management control rules, documents the accounting and financial management processes, and ensures compliance with rules on delegations of authority pertaining to financial commitments.

Each operational and functional level implements appropriate control activities to regularly evaluate the level of achievement of established objectives. In particular, the budget updates and reporting documents are used to regularly and progressively compare actual results and the extent to which objectives have been met with those defined when the budgets were approved.

By definition, each organization is responsible for its own internal controls. These controls rely on the mobilization of human, material and financial resources, the organization of those resources, the deployment of specific objectives within the organization, and the implementation of controls for prevention or detection.

Preventive controls are carried out according to specific procedures, whether manual or computerized, involving approvals at appropriate levels of the organization, among other things. Detection controls consist of after-the-fact verifications connected with specific supervision of the work performed and analysis of variances or anomalies. Information systems, performance indicators, etc. are used to facilitate this supervision.

In addition, audit and expert bodies are charged with controlling the most significant issues in relation to the specific goals of the group.

In particular, as regards accounting and financial information:

- each entity has set up a system of controls before transactions are recorded;
- controls are carried out at the different stages of the consolidation process:
  - either automatically by the consolidation software (control of debit/credit balances, data traceability, data integrity, access control), or
  - manually by the Consolidation Department and the financial controllers;
- finally, the Finance Department conducts tax reviews of the group's major companies.

3.1.2.6 Continuous oversight of the internal control system

In 2017, the Orano group continued to take measures to improve its internal control mechanisms. These measures were carried out under the supervision of the Chief Executive Officer and the Executive Committee, and monitored by the Board of Directors through the Audit and Ethics Committee.

The group's Director of Compliance engaged the annual letter of compliance process that applies to all senior managers of subsidiaries, directors of business units, regional directors, group functional directors and all management in positions identified as sensitive.

Each person signing this letter signer confirms his or her familiarity with all the provisions of the Code of Ethics as well as of the various codes and policies of the group, especially as concerns conflicts of interest, corruption and competition.

Orano's Risk and Internal Audit Department intervenes everywhere in the group and in any area relevant for internal controls. This department is placed under the responsibility of its director reporting operationally to the Chief Executive Officer and functionally to the Chairwoman of the Audit and Ethics Committee. In 2017, it conducted its activities completely independently in accordance with the Audit Charter and international professional standards.

During the period, its assignments were carried out in accordance with the annual audit plan approved by the Chief Executive Officer and reviewed by the Audit and Ethics Committee. This department is responsible among other things for reporting to the management bodies on its assessment of compliance and the effectiveness of the internal control systems deployed throughout the group. This assessment takes particular account of the risks identified by the set of tools used by the group (risk mapping, internal control self-assessment, interviews conducted by the Audit Department with the General Inspectorate, Compliance, Quality, and all the principal top managers of the group, as well as with the Statutory Auditors and others). The recommendations resulting from these missions give rise to performance improvement plans, which are monitored in concert with the managers involved.

Lastly, as is the case each year, the Risk and Internal Audit Director presented his internal controls review report to the Chief Executive Officer and to the Audit and Ethics Committee.

In addition to the audits carried out under the audit plan, group entities self-assess their internal control each year by means of a standard questionnaire (known as INCOME Self Audit) validated by their operational management. This questionnaire, reviewed by the Audit Board, was sent to some fifty entities in a dozen countries in 2017, thereby covering the group's full consolidation scope. By entity, it dealt with 198 checkpoints grouped according to 14 business cycles, and led management to commit to action plans to respond to the weaknesses identified.

The responses of the entities to this self-assessment questionnaire are shared with the Statutory Auditors and the network of internal control liaisons. This review and sharing contribute to the monitoring of the overall system, and the results are presented to the various appropriate levels of the organization (Executive Committee, business units and functional departments in particular). The main elements are summarized in the Annual Report by the Risk and Internal Audit Director on the review of the internal controls.

This report does not contain an evaluation section.

3.2 Whistleblowing provisions

Orano has for many years had a whistleblowing provision in its Code of Ethics (available on Orano’s website: www.orano.group):

“If any blatant incident or breach of a statutory or re0gulatory obligation or violation of this Code of Ethics or compliance policies is observed, an immediate alert is a reflex and a duty. There are no hierarchical barriers to the free circulation of information required to ensure the smooth running of Orano, nor any requisite rank for anyone alerting their superiors forthwith.

If an employee has any ethical concerns and does not know who to contact, he or she can always contact the compliance officer for his or her region or unit or where appropriate refer to the group’s Chief Compliance Officer, who are designated to receive ethical alerts. In accordance with French law, Orano guarantees confidentiality and immunity for whistleblowers acting in good faith.”

The necessary contact information is displayed on the first page of the group’s intranet.

In order to improve the effectiveness of the whistleblowing system, and in accordance with laws relating to the duty of care and the fight against corruption, the channel in place for passing ethical alerts is to be extended to Orano’s third-party partners, in particular suppliers and subcontractors, during 2018.

3.3 Risks related to health and safety

3.3.1 Major risks identified

In terms of a health and safety, the main risks for the group are:

- serious or fatal accident of an employee of the group or an outside company;
- contamination or irradiation of an employee of the group or outside company;
- increase in cases of occupational stress in a period of organizational transformation.

3.3.2 Risk management system

3.3.2.1 The group's health, safety and radiation protection policy

Renewed for the 2017-2020 period, the group's health, safety and radiation protection policy aims to continuously improve the group's performance in this regard and to increase its preventive actions. The constant goal is to strive for zero lost time injuries and zero impacts from Orano's operations on the health and safety of its employees, subcontractor personnel and the local communities near its sites. This policy has been initialed by the Chief Executive Officer and disseminated to the entire group.

This policy covers three major areas:

- primary prevention;
- obtaining and circulating feedback;
- operational controls.

Orano's commitments are to:

- ensure appropriate monitoring of occupational health for all employees by:
  - defining and applying international medical standards for medical surveillance of occupational hazards;
  - strengthening governance, by giving increased attention to the quality of working life, especially as concerns the prevention of occupational stress;
  - deploying the group's occupational health service in France;
  - including specific issues associated with expatriation in the medical follow up of employees.
- in the field of occupational safety, prevent and manage all industrial risks associated with operations for employees and subcontractor personnel.

At the beginning of 2017, the group introduced a new proactive health, safety and radiation protection policy to further reduce its lost time injuries by 2020.

Each entity of the group has adopted this policy and adapted it by integrating the risks related to its own activities identified in the Single Document For The Evaluation of Risks, factoring in reports of accidents or events occurring within its purview.

3.3.2.2 The functioning of the group's Occupational Health Service

The functioning of the group's Occupational Health Service has reached maturity. The first lessons learned have been harvested, in particular by adjusting the supervisory grid. These decisions were made within the framework of the governance of the Health Service (National Commission for Follow-up and Control and Standing National Committee on Occupational Health).

A number of joint working groups have been set up to work with the Company's labor partners (Health and Safety of Working Conditions Committee (CHSCT). - Among other things, the subjects reviewed include employee exposure to certain risks and the management of personal protective equipment. These working groups seek to identify and share best practices in this field. The results of this work are incorporated into the group's guidelines and procedures, deepening our safety culture and helping to improve both working conditions and occupational risk prevention.

3.3.2.3 Radiation protection

With regard to radiation protection, the application of the ALARA approach (as low as reasonably achievable) allows the lowest possible dosimetry absorbed by the personnel. Monitoring of facilities with radioactivity tracking devices has helped limit the hazard of ionizing radiation, as well as to maintain facilities' radiological cleanliness.

Individual dose objectives are defined for each job in the monitored area.

3.3.2.4 Prevention of occupational stress (OS)

The prevention of occupational stress is integral to this initiative. As part of its OS prevention policy, Orano has set up approximately 35 drop-in centers open to all employees in France. The group has conducted 23 studies in France, now covering 100 per cent of the workforce, to identify risk factors and propose actions for the prevention of OS. In this connection, the Safety Health Environment Department (HSE), in co-ordination with the Insurance Department, has set up a specific program for expatriate personnel and their families.

3.3.3 Internal controls of the group

Orano has put in place an internal control organization that makes it possible to check the compliance of the safety manual vis-a-vis the risks and to assess the extent of the control over the risks at the various facilities.

This organization is based on two entities:

- the General Inspectorate; and
- the Health, Safety, Security and Environment Department.

The work carried out by these entities results in regular re-submission to the various governance bodies of the group's performance in terms of a health, safety and radiation protection, and in proposed actions for improvement.

3.3.4 Key performance indicators

Several indicators for keeping track of health, safety and radiation protection are used at Orano, via two software applications:

- a record-keeping application, AHEAD, makes it possible to perform qualitative analyses of accidents and events recorded by the entities; and
- a tracking application, Sharepoint, collects the Orano group's various health, safety and radiation indicators. The methods used for the calculation of the indicators, as well as the associated reporting procedures, are formalized in a measurement and reporting protocol. This protocol, updated every year, is disseminated to all individuals involved in preparing and reporting the data.

These data are audited by an independent third party organization.

Reports are presented regularly to the Orano Executive Committee (COMEX) and the Board of Directors.

Concerning health and occupational stress

Regarding health, records are kept of, for instance, the number of medical visits and further examinations, workplace interventions, fitness for work certifications, job analyses and metrological studies conducted.

Regarding OS, records are kept of the frequency of use of existing programs, as well as more qualitative information such as the reasons for consultations by category of employee and by age group.

Workplace health in France is coordinated in a group Health Department, which to be more effective has national responsibilities.

This service covers more than 60% of employees. The other employees are monitored either by CEA or by inter-firm medical providers.

In every country where the group operates, the systems in practice meet the legal requirements of that country.

Regarding security

A network of site- or entity-based prevention personnel, who are the local leaders of the security improvement actions, and led in turn by the HSE Department, allow for feedback on accidents or events that have occurred.

The tracking indicators used are the number and severity of workplace accidents with time lost both for Orano employees and outside companies, and the associated frequency rate for Orano employees.

Regarding radiation protection

A network of radiation protection specialists throughout the group is led by the corporate D3SE Department. The tracking indicators used are the different dose limits and in particular the effective whole-body dose. The regulatory limit is 20 mSv per year for this concept. The group has set an observed indicator of 14 mSv as a forwarding threshold.

OCCUPATIONAL HEALTH AND SAFETY DATA

Occupational safety data	12 Months 2017
Accident frequency rate with lost time (excluding commuting accidents)	2.4
Accident severity rate (accidents reported during the year, excluding commuting accidents)	0.07
Number of fatal accidents	1

Radiation protection and occupational disease* data	2017
Average employee dose from radiation exposure over 12 consecutive months (mSv)	0.8
Total individual external dose to Orano employees over 12 consecutive months (man-mSv)	8,016
Total individual internal dose to Orano employees over 12 consecutive months (man-mSv)	3,259
Average subcontractor dose from radiation exposure over 12 consecutive months (mSv)	0.5
Occupational disease	10

** Due to the time needed to get the results of passive dosimetry analyses (also called benchmark dosimetry) and the half-year schedule for rolling up these data in the group's reporting software, the annual results are always expressed from July 1 of year n-2 to June 30 of year n-1.*

3.3.5 Main actions for improvement

In 2017, the group adopted a policy of screening for addictions, in line with the government's workplace health plan. The rollout has begun in France, as part of the primary prevention initiatives of the group's health, safety and radiation protection policy. It will cover employees who occupy positions of "security" and be deployed in 2018 after consultation with the bodies representing the employees and after updating the rules of procedure of the entities concerned.

The expansion of the "managers in the field" program has allowed managers to observe operative procedures at work, discuss their observations with the employees and improve operating practices in a pragmatic fashion.

In 2018, the major facilities will perform a self-assessment of their control of HSE risks, using software distributed by the group's HSE Department. The results of these self-assessments will be tested by the health, safety, security & environment managers of the business units with the participation of senior HSE management.

3.3.6 Summary evaluation

Although there is no such thing as zero risk, the involvement of all of line management in improving our performance, from Executive Management down to first-level supervisors, notably through our "managers in the field" program, strongly supports our goal of eradicating serious or fatal accidents, and achieving a sustainable frequency rate of accidents with lost time of less than 1 by the year 2020.

The main indicators of prevention and outcomes in 2017 are stable (see Section 3.3.4 above), without significant deterioration: The improvement actions identified will make it possible to improve these outcomes in the 2018-2020 period.

3.4 Risks related to nuclear safety and the environment

3.4.1 Major risks identified

In terms of nuclear safety and the environment, the major risks for Orano are:

- the occurrence of a nuclear or industrial accident classified as Level 2 or higher on the INES or ARIA scales and which could cause a significant contamination of the environment;
- the consequences of a natural phenomenon (such as an earthquake) or of climate disruption which could generate extremely violent effects on the sites (such as a tornado or flood);
- the risk of loss of skills in the course of organizational transformation.

3.4.2 Risk management system

The group's environmental safety policy, renewed for the 2017-2020 period, aims to continuously improve its safety culture and to increase its preventive actions. This environmental safety policy has been approved by the Chief Executive Officer and disseminated to the entire group.

This policy sets the priorities for action in terms of:

- safety of the facilities;
- safety of the operations;
- performance of management.

3.4.2.1 Internal nuclear and industrial hazards

The risks of nuclear origin relate to the characteristics of radioactive substances. They thus concern all industrial facilities of the group where these substances are found, whether it be regulated nuclear facilities (INB), secret regulated nuclear facilities (INBS) or industrial facilities covered by the legislation on facilities classified for environmental protection (ICPE).

Risk prevention is based on a systemic and systematic analysis of the risks specific to each facility or activity undertaken and on the definition of means for preventing events of concern, for detecting and managing incidents and accidents, and for limiting their potential consequences, based on defense-in-depth principles. These principles involve a systematic analysis of potential technical, human or organizational failures, and definition and implementation of a series of independent lines of defense to protect against the consequences of those failures. These principles are implemented during the facility design phase, during the industrial production phase, and during cleanup and dismantling after the end of production operations.

3.4.2.1.1 Radiation

There is a risk of exposure to radiation whenever a person works in the presence of radioactive materials.

Collective protection and monitoring systems are installed to limit radiation at the source and optimize the doses received to levels that are as low as reasonably achievable (ALARA). In addition, and if necessary, the working time of operators is limited. The group applies the "ALARA" principle, which holds that every action will be taken to reduce exposure to radiation as long as it is reasonable from the technical, economic, social and organizational standpoints. The radiation protection departments continually verify compliance with this principle of optimization.

3.4.2.1.2 Criticality

The risk of a criticality accident corresponds to the risk of an uncontrolled chain reaction with a brief and intense emission of neutrons, accompanied by radiation. This risk, should it materialize, would result in irradiation of workers or individuals located near the event, causing lesions proportional in seriousness to the intensity of the radiation received. This risk is addressed in any facility likely to receive fissile materials.

The prevention of this risk is based on limiting the factors leading to uncontrolled chain reactions. This limitation is factored into the design (e.g. equipment geometry) or operating requirements (e.g. mass limitation). In areas of facilities representing the greatest risk, prevention measures are strengthened with the use of shielding to sharply reduce the consequences of a potential criticality incident for personnel, and with the installation of a criticality accident detection, alarm and measurement system.

3.4.2.1.3 Radioactive waste

Radioactive waste is produced mainly during operations, dismantling and cleanup of nuclear facilities. It is characterized based on its radiological activity (very low-level, low-level, medium-level or high-level) and by the half-life of the radioelements it contains (very short-lived, short-lived or long-lived waste). Each type of waste requires a specific management method, as shown in the table below:

	Very short-lived (<100 days)	**Short-lived (≤31 years)**	**Long-lived (>31 years)**
Very low-level waste (VLLW)	Management through radioactive decay at the production site	Aube near-surface disposal facility for VLLW	
Low-level waste (LLW)		Aube near-surface disposal facility for LLW and MLW	Research carried out under French law of June 28, 2006 (near-surface disposal at 15-200 meters)
Medium-level waste (MLW)	followed by conventional disposal		Research carried out under French law of June 28, 2006 (deep disposal, 500 meters)
High-level waste (HLW)		Research carried out under French law of June 28, 2006 (disposal in a deep geological repository, 500 meters)	

Orano establishes radioactive waste management methods in compliance with the principles of the French Environmental Code and Euratom directive no. 2011/70/Euratom of July 19, 2011:

- protect public health, safety and the environment;
- prevent and limit the burden to be borne by future generations;
- reduce the quantity and toxicity of radioactive waste, in particular by using appropriate processing and packaging methods;
- organize waste shipments and limit them in distance and volume;
- provide information to the public on the effects on the environment and public health of waste production and management operations, subject to confidentiality rules provided in the law, and on the measures taken to prevent or offset harmful effects.

Each waste management method is thus defined as part of a graduated approach to the risks and impacts as regards the costs (human, financial, environmental, etc.) and the benefits expected from the use of a management solution.

For implementation of waste management methods, Orano draws on:

- the operating entities of the different production sites likely to generate radioactive waste;
- the Dismantling and Waste Contracting Department, which is tasked with steering Orano’s overall performance plan and defining strategies to be deployed by the operating entities.

The principles guiding the use of management methods at Orano’s different sites, in compliance with safety, cost, schedule and quality objectives and commitments, are:

- waste reduction at source, with the goal of “zero waste” in design and operation; waste likely to be radioactive is separated from conventional waste based in particular on a facility “zoning” policy. This policy is continually optimized to minimize quantities of radioactive waste;
- radiological characterization and assessment of activity to define optimum packaging;
- volume reduction using cuttings, assembling and compaction processes;
- with packaging, waste is immobilized in a container suited to its radioactivity level and half-life, in some cases using material to hold it in place (such as cement) or after processing. When processing is necessary, the goal is to convert the initial waste into a waste form with characteristics more appropriate for final disposal, in particular by maximizing containment performance. Drying, incineration, vitrification and melting are examples of processing. Furthermore, processing reduces waste volumes.

A quality program including quality control is carried out throughout processing operations. Best available technologies (BAT) are used for processing and are chosen based on multicriteria analyses that factor in the industrial, environmental, health and radiological impacts.

The sustainable radioactive waste management solutions used by Orano follow the guidelines of the National Radioactive Waste and Materials Management Plan (PNGMDR). Orano is heavily involved in developing the PNGMDR resulting from the implementation of the program law of June 28, 2006 on the sustainable management of radioactive materials and waste. The principal purpose of this triennial plan developed under the aegis of the Ministry for Ecological and Solidarity Transition, together with the nuclear safety authority ASN, is to regularly assess the radioactive substances management policy in France, to evaluate new requirements and to determine the objectives to be achieved. Orano is represented through its Dismantling and Waste Contracting Department, which steers and coordinates cross-business programs and studies related to the development, implementation and follow-up of the plan.

Dissemination and communication of information

Information on the flows and volumes of waste stored at Orano's nuclear facilities (especially volumes) is communicated to the competent authorities in the form of annual reports. In addition, Orano is a major participant in updates to the National Inventory published every year by ANDRA.

The inventory also presents storage capacities, in particular for long-lived medium- and high-level waste, along with their fill status.

This information is available on the website of ANDRA's national inventory of radioactive waste and materials: http://www.inventaire.andra.fr/inventaire?field_stocks_year_target_id=51773&region=All&departement=51068&exploitant=50275&categorie=All&famille=All&=Appliquer

3.4.2.1.4 Thermal releases and radiolysis

Matter absorbs the energy produced by intense radiation, which can lead to increase temperatures. The energy is removed to control the temperature increase and prevent the dispersion of radioactive materials. Cooling is provided by redundant cooling systems with heat exchangers and ventilation systems.

Radiolysis corresponds to the decomposition of a hydrogenated compound (especially water) when exposed to radiation, leading to the release of hydrogen. In normal operations, the facilities are designed to limit hydrogen concentrations by flushing the equipment with air. A backup system is added if a loss of flushing capacity causes concentrations to rise significantly.

3.4.2.1.5 Other internal risks that could lead to nuclear risk

As in any industrial activity, facility operations and the presence of personnel also give rise to risk. Since such incidents could affect equipment important to nuclear safety, strong prevention measures are taken in the nuclear industry. Prevention is based on factoring the potential causes of malfunctions into the design or operating instructions and on limiting their possible consequences.

The most frequently encountered conventional risks are:
- risks associated with the handling and use of hoisting, transfer and positioning equipment;
- risks of fire and internal explosion;
- risks related to the use of chemical reagents or toxic raw materials such as HF or UF_6;
- risks associated with the use of pressurized equipment;
- risks associated with utilities (electricity, water, steam, industrial gases, etc.).

These risks are managed using a risk management approach tailored, as in the case of nuclear-based risks, to the nature of the risk and in compliance with the regulatory requirements defined for each technical field: safety systems, fire containment, detection, ATEX rules for explosive atmospheres, separation of incompatible chemicals, etc. These technical measures are supplemented as necessary by compliance inspections, periodic verifications and maintenance, and operator training and/or certification.

3.4.2.2 External risks that could lead to nuclear risk

3.4.2.2.1 Airplane crash

This risk concerns the crash of an airplane or part of an airplane on a facility. Its probability of occurrence depends on the number of aircraft that could reach the site without being detected; its potential severity depends on the type of aircraft and the surface area of sensitive areas in each facility. Each site is located:

- away from controlled airspace;
- away from airspace used by military aircraft; and
- far from any airport.

Safety studies are carried out to assess the risk of an airplane crash, including the risk of deliberate attack, and to determine the means for limiting its consequences (factoring in the organization of airspace use, types of flights, known crash statistics, etc.).

3.4.2.2.1 Earthquake

Earthquakes and their possible repercussions, such as a tsunami, can cause damage that could disable nuclear safety systems.

For facilities in which nuclear materials are handled, the risk of an earthquake is factored into the design of equipment, systems and buildings. Risk analysis consists of demonstrating that no damage affecting the nuclear safety of the facility is likely to occur for the event scenario considered.

3.4.2.2.2 Risks related to climate disruption

Unlike the risks of internal origin, it is not always possible to act on risks of external origin, particularly those related to climate disruption. However, their origin must be taken into account to reduce and manage their consequences, particularly in terms of radiation. The desired level of protection is ensured by considering in particular unforeseen but highly improbable events in the context of each site.

3.4.2.2.3 Adverse meteorological conditions and flooding

This risk is factored into the design based on potential local weather conditions. Advance warning is given for any threatening weather conditions, and there are instructions for each facility concerning additional measures to be taken, such as increased monitoring or specific actions.

The possible causes of external flooding (rain, river flooding, breach of levies, tsunami) are factored into the design of the facilities and operating measures. The risk of a thousand-year flood is taken into account, in particular by locating facilities above the thousand-year flood plain.

Other risks caused by potential external events, such as the loss of power supply or utilities (water, steam, compressed air, etc.), are addressed through redundant or independent backup systems.

Following the accident at the Fukushima Daiichi nuclear power plant in Japan, in addition to measures taken in the design of the facilities or during operations, supplementary safety assessments (SSA) were carried out to evaluate the facilities' ability to withstand a malfunction. Based on these assessments, special programs to improve the level of facility protection led to work and actions. Other measures are being implemented in accordance with regulatory decisions by ASN applicable to the group's nuclear facilities.

3.4.2.2.4 Transportation of radioactive materials

To protect members of the public, property and the environment from the effects of radiation during the transportation of radioactive materials on public lands, the "defense in depth" concept applies to these operations, as it does to other nuclear operations. This concept consists of setting up a series of barriers (safety systems, procedures, technical or administrative controls, etc.) to prevent accidents and limit their consequences. The design of the shipping cask is the main component of this system. As with any nuclear activity, these operations are governed by stringent international regulations.

To accomplish its mission of supervising the group's transportation operations, Orano has an organization that analyzes risks, establishes action plans and manages emergencies around the globe. Its tracking center is able to access in real time all necessary information on shipments under its supervision at any moment.

3.4.2.2.5 Protection and safeguard of nuclear materials and facilities

Malicious acts: Special measures are taken to protect nuclear facilities from terrorism. These measures are strengthened under national security plans (such as the French "Vigipirate" plan). For security reasons, these measures may not be disclosed to the public.

In addition to the measures adopted to prevent the risks of an incident or accident and limit the consequences to the greatest possible extent, sites in possession of nuclear materials must take measures to prevent the loss, theft or diversion of the materials held in the facilities, or any act that might result in their dispersal in the environment. As with nuclear safety, the measures taken are based on the principle of "defense in depth".

The competent authorities, including for France inspectors reporting to the Senior Defense and Security Official of the Ministry for Ecological and Solidarity Transition, regularly verify compliance with and proper application of these measures.

3.4.2.3 Chemical risks

On two sites (Tricastin and Malvesi) the group operates three facilities subject to "Seveso" regulations, which implement European Directive 2012/18/EU concerning the control of major accident hazards involving dangerous substances, as amended. The regulations apply to facilities that may present a significant risk to public health and safety or to the environment. In accordance with the regulatory requirements, the sites concerned have set up a plan to prevent major accidents and limit their impacts on individuals and the environment. A safety management system incorporating the organization, functions, products and other resources was set up to strengthen risk management.

Similarly, hazards studies are updated on a regular basis. They are the foundation of the process designed to minimize risk from the outset, control urban development, establish emergency management plans and inform the public. Hazards studies present in particular the hazards that the facility could generate in the event of a deviation and demonstrate measures capable of reducing the probability and impacts of an accident to the lowest achievable level in view of current knowledge and practices, taking into account the vulnerability of the facility's environment.

As part of a continuous improvement process, the relevance, reliability and "stand-alone" quality of safety barriers are reviewed on a regular basis. This review applies to prevention barriers (intended to reduce the probability of an unscheduled event) and to protection barriers (intended to limit the consequences of an unscheduled event).

3.4.3 Ensuring the compliance of facilities and their modification

French regulations distinguish between regulated nuclear facilities (INB) and facilities classified for environmental protection (ICPE).

3.4.3.1 Regarding regulated nuclear facilities

In France, the regulated nuclear facilities (INB*, installations nucléaires de base*) operated in the group are regulated by a strict legal framework. Due to the risks and disadvantages that these facilities may pose to protected interests, specific permissions are issued for the creation, commissioning, modification, dismantling and decommissioning of the facilities. These authorizations are issued in terms of the rules for nuclear safety, protection of health and the environment, and the control, or not, of radioactive releases.

The operation or dismantling of each regulated nuclear facility operated by Orano Cycle, a subsidiary of Orano SA, receives a decree authorizing its creation or dismantling issued by the Minister responsible for nuclear safety, after public inquiry, pursuant to Articles 16 and 38 of Decree No. 2007-1557 of November 2, 2007, as amended, relating to regulated nuclear facilities and the control, in terms of nuclear safety, of the transport of radioactive substances. These decrees authorizing creation or dismantling are issued at the end of a fact-finding process primarily involving documents showing the analysis of risks and the associated prevention provisions:

- preliminary safety report;
- study of the risk management system;
- impact study.

These documents are updated periodically. They are the foundation of the process designed to minimize risk from the outset and to inform the public. Hazards studies present in particular the hazards that the facility could generate in the event of a deviation and demonstrate measures capable of reducing the probability and impacts of an accident to the lowest achievable level in view of current knowledge and practices, taking into account the vulnerability of the facility's environment.

Regulated nuclear facilities are monitored by the French Nuclear Safety Authority (ASN), an independent administrative authority.

The facilities of the Orano group, whatever their current phase of life, have been authorized by the competent authorities on the basis of a risk map and the associated provisions to prevent and control the risks.

During the operation of the facilities, two types of regulatory process govern the updating of the risk map and the compliance of the risk management provisions.

Modifications

The procedures related to modifications made to INBs are laid down by the aforementioned Decree No. 2007-1557 of November 2, 2007. Depending on the nature of the contemplated modifications, whether technical or organizational, an impact analysis as to the protected interests mentioned in Article L. 593-1 of the French Environmental Code must be carried out. Depending on the nature of the proposed modification, this analysis will determine the authorization process or the process for making a declaration to the specific body with authority. A substantial modification will lead to amending the decree authorizing creation of the facility. In that event, the procedure defined in Article 31 of the Decree of November 2, 2007 above must be carried out. This modification must be requested of the Minister responsible for nuclear safety and requires an authorization issued by decree after public inquiry. A significant modification change receives an authorization or "systematic declaration" from the French Nuclear Safety Authority pursuant to Articles 26 and 27 of the Decree of November 2, 2007 above.

In all events, the analysis of initial risk is updated and the modification may lead to an update of the safety manual, consisting of the risk map and the associated risk management provisions. These changes contribute to the continuous improvement process. Every five years the consolidated safety manual is to be forwarded to the safety authority. The Nuclear Safety Authority may conduct inspections in connection with the process of modifying an INB.

Periodic reviews

Article L. 593-18 of the of the French Environmental Code states that regulated nuclear facilities that have not received a dismantling order must conduct a periodic review every ten years. This review will verify the compliance of the facilities with design requirements and current regulations. It consists in particular of checking that the provisions for limiting the aging of the equipment as provided in the design remain applicable. It also involves a reassessment of the security provisions in view of developments in knowledge, standards and the state of the art since the equipment was designed.

In this way the exercise leads to a systematic reassessment of the risk analysis and the prevention provisions, up to and including the implementation of possible technical changes. Once the operator has completed this work and submitted it for inspection to the safety authority, the latter may impose requirements on the continuation of the activity over the next ten years.

3.4.3.2 Regarding facilities classified for environmental protection (ICPEs)

For facilities classified for environmental protection (ICPEs) the approach is made proportionate to the issues. The level of risk of the facility is assessed in light of its classification in the nomenclature of classified facilities appended to Article R. 511-9 of the French Environmental Code and the set of rules that apply to it (DC, E, A, SA). The latter are determined according to the substances used or the activities conducted.

For classified facilities subject to authorization and those subject to the" SEVESO" regime, i.e. the facilities with the greatest potential for hazard, the environmental authorization is issued by the Prefect after inspection of the application by the appropriate authorities, i.e. the regional directorates of the environment, development and housing (DREAL). This authorization is granted at the end of a public inquiry and after consultations with different agencies. It takes the form of a prefectoral order accompanied by operating requirements specific to the facility.

This procedure of prior authorization ensures that the hazards and drawbacks resulting from the facility cannot harm the interests referred to in Article L. 511-1 of the French Environmental Code (primarily health, security, public safety and the environment).

This procedure requires in particular the preparation of two central documents to identify and prevent the risk of major accidents (the hazards study) and potential chronic impacts on public health, fauna and flora (the impact study).

These documents are updated periodically. They are the foundation of the process designed to minimize risk from the outset and to inform the public. Hazards studies present in particular the hazards that the facility could generate in the event of a deviation and demonstrate measures capable of reducing the probability and impacts of an accident to the lowest achievable level in view of current knowledge and practices, taking into account the vulnerability of the facility's environment.

In addition, as part of a continuous improvement process, the relevance, reliability and "stand-alone" quality of safety barriers are reviewed on a regular basis.

At the time of the final shut-down of the facility, Article R. 512-39-1 of the French Environmental Code provides that the operator shall present to the Prefect measures to ensure the evacuation of hazardous products and the management of waste, restrictions on access to the site, the elimination of the risk of fire and explosion and the monitoring of the effects of the facility on the environment.

In terms of the rehabilitation of the site, the operator must put it in such a condition that it allows for a previously determined future use of the site.

Modifications

Concerning the ICPEs, the legal framework applicable to modifications differs according to whether they are "significant" or "substantial." A significant modification is brought to the attention of the Prefect, with documents that allow him to assess whether a new procedure is called for. If the Prefect considers the modification to be significant, the operator may carry it out with no special procedure. The Prefect may, if necessary, impose additional requirement in the prefectoral authorization decree.

If the modifications are judged to be substantial in terms of the criteria set forth in the Circular of May 14, 2012, i.e. liable to significantly alter the contents of the original submission, a new environmental authorization procedure must be carried out (Article L. 181-14 of the French Environmental Code).

Periodic reviews

For ICPEs, the nature of the periodic review depends on how the facility is classified:

- for installations subject to the European IED Directive, the review is synchronized with an updating of the European BREFs (Best Available Technology Reference documents) and has the purpose of updating the limit values for the facility's discharges, so as to take into account the best available technologies;
- for Seveso facilities, the major-accident prevention policy is reviewed and updated if necessary every five years, or before a significant modification and after a major accident. The same holds for the study of the hazards of high-threshold Seveso facilities.

3.4.4 Retention of skills

The group has undergone a profound transformation over the past two years, accompanied by a voluntary departure plan that has affected skills in all occupational categories of the group.

To cope with the risk of loss or lack of skills, especially as concerns the operational safety on its INBs and ICPEs, the group has taken two major initiatives:

- the launch of a project for the management of critical skills, which focuses on critical occupations, including those related to security, to produce a survey of needs and resources in the short and medium term, and to adapt the hiring/transfer plan accordingly (see Section 3.5.1.1.1 on the “Critical skills” management program);
- the deployment of the Safety Excellence training program, which aims to strengthen the culture of environmental safety and risk attenuation of the individuals in the group’s Internal Responsibility System (SIR) operating line, including all facility managers.

3.4.5 Internal controls of the group

In addition to the aforementioned regulatory processes, Orano has put in place an internal control organization that makes it possible to check the compliance of the safety manual vis-a-vis the risks and to assess the extent of the control over the risks at the various facilities.

This organization is based on two entities:

- the General Inspectorate;
- the Safety, Health, Security and Environment Department.

The work done by these entities results in a summary report on the safety conditions of the facilities, which is communicated to the public.

3.4.6 Key performance indicators

The performance indicators are listed in the group’s 2017-2020 environmental safety policy. They are put into a guide which specifies, among other things, the reporting frequency and the objectives set for the year.

The record-keeping application, AHEAD, makes it possible to perform qualitative analyses of accidents and events recorded by the entities.

A tracking application, Sharepoint, collects the Orano group’s various environmental safety indicators. The methods used for the calculation of the indicators, as well as the associated reporting procedures, are formalized in a measurement and reporting protocol “Sustainable development and ORANO’s ongoing progress”. This protocol, updated every year, is disseminated to all individuals involved in preparing and reporting the data.

These data are audited by an independent third party organization.

Reports are presented regularly to the Orano Executive Committee (COMEX) and the Board of Directors.

The main environmental safety indicators used are:

- the number of significant safety events (SSE) of Level 2 or higher;
- the prevention rate of the events (where EPR = SSE N1/SSE N0);
- the number of major commitments made by the group.

NUMBER OF EVENTS IN 2017 RANKED ON THE [1]INES SCALES IN THE GROUP’S NUCLEAR ENTITIES (OWNER-OPERATORS, CONTRACT OPERATORS AND SERVICE PROVIDERS) OR DURING THE SHIPMENT OF RADIOACTIVE MATERIALS

	Level 0	Level 1	Level 2 or higher
2016	104	13	0
2017	105	12	0

Concerning environmental performance, each site in the group has defined its areas of improvement in its action plans, especially as concerns the consumption of energy and production of conventional waste. The improvements in terms of energy consumption are mainly the result of the major investments made by the group, including on the Tricastin site with the commissioning of the new Georges Besse II enrichment facility.

[1] *International Nuclear Event Scale*

ENVIRONMENTAL DATA		
		12 Months 2017
Consumption		
Quantity of energy consumed (MWh)		2,080,917
Quantity of water tapped (m^3)		12,026,198
Conventional waste		
Total tonnage of conventional waste (normal and exceptional operations)		26,686
Quantity of hazardous waste (MT) related to normal operations		9,490
Quantity of non-hazardous waste (MT) related to normal operations		6,796
Releases		
Direct greenhouse gases (MT CO_2)	✓ (1)	294,832
Indirect Scope 2 greenhouse gases		157,424
Volatile organic compounds (MT VOC)		846

(1) Indicator subject to reasonable assurance.

Based on the last carbon-footprint study done in 2009 on Areva's historical scope of consolidation, emissions of Scope 3 greenhouse gases do not appear to be significant.

3.4.7 Main actions for improvement

As for the improvement actions planned for 2018 in the areas of personal health and security (see Section 3.2.5), the expansion of our "managers in the field" program to improve operational practices and the self-assessments of HSE risk management by the major facilities will be developed for nuclear safety and the environment.

Concerning the special case of natural phenomena and climate disruption, the group will continue in 2018 and 2019 the investment projects initiated as part of the Additional Safety Evaluations carried out after the Fukushima accident, which consist of building on the La Hague and Melox sites crisis buildings, which are resistant to extreme contingencies (earthquake-tornado-flood), on the model of the crisis command post put in service on the Tricastin site in 2017.

3.4.8 Summary evaluation

Although a serious event with major consequences around our sites cannot be completely ruled out, the extra measures taken to improve a culture of safety directly among our people on the ground, including practices to increase the reliability of operating procedures and training management in the observance of these practices, makes us confident in our ability to control any such occurrence. Furthermore, an additional factor in the overall improvement of the safety of our activities has been a reinforcement of our crisis organization and our procedures for limiting consequences and supporting a site in difficulty.

The main indicators of prevention and outcomes are stable, with no significant deterioration: the improvement actions identified will make it possible to improve these outcomes in the 2018-2020 period.

3.5 **Risks related to human resources**

3.5.1 Retention of skills and attractiveness

Orano offers high-technology products and services that derive from the know-how of its employees. Retaining and developing the skills of the women and men of the group are thus essential in meeting the expectations of our customers. Securing critical skills, attracting new talent at all levels of experience, adapting our workforce to our needs, and also identifying the skills which the group will need tomorrow for its development, are all fundamental challenges for Human Resources.

These challenges are heightened by some internal and external factors: Firstly, Orano has just completed a thorough restructuring, bringing great change to the group's scope and reducing its workforce. Secondly, the group strives to remain attractive, in a context of global mobilization against climate change, public debate on nuclear energy and the internal transformation.

3.5.1.1 Management and control system

3.5.1.1.1 Kick off in May 2016 of a steering program for "critical skills"

The risks inherent in the group's demerger and in the implementation of the performance plan have made it necessary to fine-tune the management of discipline know-how and skills within the group. A managerial initiative to steer critical skills was decided upon. It is based on:

- a project manager with a network of discipline/BU coordinators in the group's three major categories of technical disciplines: Engineering, Production and Services;
- a new survey of critical skills and the resources concerned, after final impact of the voluntary departure plans (VDP) carried out by Orano's forerunner, the AREVA group, in recent years and involving field management;
- rapid roll-out of best practices inspired by the field and external benchmarks, with a view in particular to the principle of the annual skills review;
- inclusion of skills goals in the annual corporate management cycle (strategic action plans and annual budget) for full managerial control.

A preliminary analysis was carried out by the Key Discipline Leaders, drawing on a network of specialized coordinators across the business units. Eight critical disciplines were identified in this way, and specific action plans for them for 2017 were developed. The action plans generally include a highly targeted recruitment component, a professional training component, and a "career path" component (Nuclear Safety, Project Management, Operations, etc.) aimed at accelerating the acquisition of skills in the nuclear disciplines.

3.5.1.1.2 School relations

School relations were given a new boost of energy in 2017. A target of 26 major schools and universities was identified as matching Orano's trades and occupations, and more than 20 partnerships have been formed in the regions, with vocational high schools, university institutes of technology, etc. These target schools and universities received 67% of the payments made by the Company as its 2017 Apprenticeship Tax.

A program of 26 forums was defined for the beginning of the 2017/2018 school year, and a community of internal ambassadors was formed (72 employees, including 40% women) to assist the human resources staff during events dedicated to recruitment. Moreover, new sourcing methods are being rolled out, with the increased use of social media, the Company is thus reforming its mode of communication with its novice and experienced candidate targets (trade focuses, chat on Job Teaser, social networks, etc.).

A similar approach was taken in the United States, with eight universities not far from the group's facilities, along with all companies in the U.S. nuclear industry.

3.5.1.1.3 Training policies

In France, the Training Department operates through three Jobs/Training Shared Services Centers (Cotentin, Ile de France and Southeast). All of them share the same system of management and operation in support of recruitment, job mobility and professional training.

To meet the skills management challenge posed by the group's new organizational structure, a training project was launched in the spring of 2017. Its aim is to offer training targeting particular technical jobs and the acquisition of the skills needed for Orano's activities.

The online roll out of a "priority training" offering was prepared, based on a survey of existing in house courses provided within the different BUs or in a cross functional way, allowing access via a search engine to over 250 training courses, covering 17 themes. Each course is described in a detailed and consistent way: objectives, content, target, prerequisites, teaching methods, duration, venue, etc.

Some 15 “technical skills pathways”, from Mines to Dismantling, were set up to provide better visibility of the skills associated with Orano’s core activities and the paths to acquiring these skills and progressing within these activities. Some of these pathways lead to qualifications or diplomas.

This first offering rests, in some cases, on the training resources available within certain BUs (Mines, Dismantling & Services, Project, Recycling, etc.) or on external partnerships with bodies selected on the strength of their technical specialization, their quality, or their contribution to skills management. The offering often combines both.

This Orano training offering will gradually be enhanced and will be reviewed each year, depending on the demand recorded, the technical requirements and the projects under way.

The launch of this first offering is a first milestone, with the adoption of a new HR software suite that should allow a much higher level of interactivity, including the possibility of registering online for certain modules. It also constitutes a first step in an in depth reform of training management, with the aim of: combining annual interviews and training campaigns, promoting training programs (modular or multimodal programs potentially leading to certificates, qualifications or diplomas), as well as liberalizing content not associated with either “regulatory” (representing 45% of training programs) or “co-opted” training, such as managerial cycles (5% of programs), by relying in particular on content digitalization resources.

3.5.1.1.4 Compensation and trends

The compensation policy, meant not only to reward the employees around the world but also to attract and retain people with skills useful to the group, is based on three pillars: compensate performance, provide fairness within the group, and contribute to Orano’s attractiveness, particularly on the market for technicians, managers and engineers.

In France, total compensation is broken down into:

- fixed compensation: base salary, seniority benefits, etc.;
- variable compensation: that may job based (hardship allowances, on call pay, etc.) or based on individual performance (bonus/variable component or allowance) or based on collective performance;
- employee benefits: health and insurance benefits that are identical for all companies;
- mandatory and optional profit-sharing based on criteria for rewarding collective performance and involving the employees in the financial performance of the Company.

In the United States, the variable portion takes several forms:

- short-Term Incentives, which corresponds to the French variable portion;
- long-Term Incentives, which is a program for retaining executive talent;
- the All Employee Incentive Plan, which applies to all employees not covered by the two previous points.

Compensation, particularly in France, is based on industry agreements and collective bargaining agreements. Every year, the budget for wage increases is negotiated with the labor unions. In France, after two years of stringent budget restrictions, a budget of wage measures amounting to 1.6% of the payroll was negotiated for 2017 across the Orano group within the framework of New AREVA’s 2017 labor agreement.

Variable compensation

The group’s variable compensation program, based on both collective financial performance and individual objectives, is gradually being brought into alignment and expanded to include all of Orano’s entities around the world. The target percentages for variable compensation depend on local practices and are structured by level of responsibility.

In view of the group’s financial and economic situation, the policy for the variable component was adjusted for the collective component and guidelines were given for the individual component as a reminder of the importance of selectivity and of the employee’s performance level in his or her evaluation.

A suite of HR software interfaced with the annual performance interview is used to collect individual objectives. It is used by a majority of group entities in the following countries: Canada, China, United States, France and the United Kingdom.

Employee savings plans and collective performance

The group establishes collective compensation systems based on economic indicators and entity-specific criteria, according to local practices and legislation.

In France, compensation based on collective performance takes the form of optional profit-sharing agreements and of mandatory profit-sharing plans applicable to the group's companies. The sums distributed in 2017 for 2016 represented a total of close to 42.6 million euros for all of the companies in the Orano group. Employees chose to invest 69.7% of the optional profit sharing and 70.1% of the mandatory profit sharing paid in 2017 in the AREVA SA savings plan (see below).

Furthermore, in all of the group companies, optional profit sharing was capped at 4% of payroll, with the trigger for calculating optional profit sharing based on a financial criterion.

Within the framework of the labor agreement "Contrat social New AREVA 2017," a Group wide profit sharing scheme was introduced in 2017, based on an overriding formula corresponding to 3% of the group's operating income. This agreement also provides for the three financial years 2017-2018-2019 a so-called better fortunes clause, allowing the distribution to employees, in the form of added investment, of a portion of any positive difference between the net cash-flow realized and the net cash-flow budgeted and in the financial projections.

Corporate savings plan and investment vehicles

In France, a Group Savings Plan (AREVA GSP) common to all of the AREVA SA group's companies was created in 2005. The AREVA GSP consists of a complete range of funds covering all asset categories. It includes a money market fund, a bond fund, an equity fund, a social responsibility fund and three diversified funds. A diversified pool of fund managers was sought to optimize investor returns. This plan is still in force at Orano for the period post July 27, 2017. Orano's share of funds outstanding in the AREVA GSP represented more than 360 million euros at December 31, 2017.

In the United States, a "401(K)" retirement plan allows employees to voluntarily save for their retirement. Orano's contribution to the plan comes to 3% of each employee's salary. The company also matches 100% of the employee's contributions for the first five percentage points of the employee's contributions.

3.5.1.2 Principal indicators

3.5.1.2.1 Total workforce and distribution by gender, age and region

The Orano group had 19,145[1] employees at December 31, 2017, versus 19,196 employees at the end of August 2017.

Breakdown of registered employees by business within the group's consolidation scope	**12/2017**	**08/2017**	**2016**
Mining	3,179	3,283	3,449
Front End (Chemistry, Enrichment)	2,693	2,706	2,807
Back End (Recycling, Dismantling and Services, Logistics)	10,662	10,582	10,915
Corporate and other operations	2,611	2,625	1,170
Total	**19,145**	**19,196**	**18,341**

The increase in the number of employees from year-end 2016 is due to the transfer, on January 1, 2017, of the nuclear fuel cycle engineering operations of AREVA NP (now Framatome) to Orano.

More than 98% of the group's workforce is spread over five countries: France, Kazakhstan, Niger, USA and Canada.

[1] *Including pro-rata recognition of the percentage interest of joint ventures not constituted in Canada.*

Employees by gender*	12/2017	08/2017	2016
Women (global)	20.9%	20.9%	20.7%
Men (global)	79.1%	79.1%	79.3%
Women in executive positions	11.0%	7.0%	11.0%
Women in governance bodies (Boards of Directors)	47.0%	21.0%	37.0%
Women in management positions	27.2%	26.8%	25.9%
Women in non-management positions	18.2%	18.4%	18.6%
Employees by age group*			
Less than age 21	0.04%	0.03%	0.02%
21 to 30 years old	12.0%	12.2%	12.5%
Ages 31 to 40	29.8%	29.2%	27.9%
Ages 41 to 50	26.3%	26.7%	27.0%
Ages 51 to 60	29.8%	29.8%	30.1%
More than age 60	2.0%	2.2%	2.4%
Employees by region*			
France	78.4%	78.4%	78.2%
Asia-Pacific	8.0%	8.1%	8.2%
North and South America	6.7%	6.7%	6.5%
Africa and Middle East	6.0%	5.9%	6.1%
Europe (excluding France)	0.9%	0.9%	0.9%
Employees by occupational category*			
Engineers and management staff	29.2%	29.0%	29.2%
Technical and administrative personnel	52.1%	52.3%	52.2%
Skilled workers	18.6%	18.6%	18.6%

* Percentage calculated based on employees working under open-ended employment contracts.

3.5.1.2.2 Staffing and layoffs

To meet the expectations of its customers, Orano adapts its staff to its needs, including through outside hiring. A team in the Human Resources Department, with good local contacts, works at this full time.

Hirings in 2017 represented 967 permanent employees, including 718 in France, highly concentrated in Dismantling and Services (357 hires), keeping the total workforce number stable. Added to these hires were 129 permanent employees transferred in takeovers.

In addition, to create pools from which future group collaborators might be hired, and help train young people interested in learning about industry and energy, the group also employs in France over 600 on work-study.

	2017
Number of external hires (permanent and fixed-term employment contracts)	1,627
Number of redundancies (permanent employees)	129

3.5.1.2.3 Total hours of training

In France, nearly 450,000 hours of training were provided in 2016, giving an average of 33.6 hours of training per employee. This figure is expected to remain stable in 2017 based on the course completions on record at year end.

Number of hours of training per permanent employee per year	2016	2015
France	33.6	31

The 2017 data for France will be available at the end of April 2018.

In the United States, the average number of hours of training per employee in 2017 was 26.3, far below the objective of 40 hours set by the group for this country. The gap is due to the reorganization of the group, which has also had an impact across the Atlantic.

3.5.2 Quality of work life

Orano places particular importance on the working conditions of its employees, by being attentive to their well-being and aware of the impact the quality of work life has on performance. These topics are part of regular discussions and negotiations with the employee representatives and, where appropriate, result in collective agreements.

To enable this and limit the possibility of conflict, the group lays great stress on labor-management discussions.

3.5.2.1 Management and control system

3.5.2.1.1 Organization of social dialogue, in particular procedures for information, consultation and negotiation with personnel

The group's labor relations are founded on mutual respect and dialogue. They take into account the requirement for competitiveness, performance improvement and the well-being of employees. In that spirit, management and the labor partners met on a regular basis throughout 2017:

- in the context of consultation procedures concerning the creation of the Orano group;
- in connection with information and consultation procedures on the capital increases of New AREVA Holding, now Orano, and AREVA SA;
- to provide information to employee representatives on the implementation of the public takeover bid and finalizing of the group's transformation.

3.5.2.1.2 Organization of working hours

In countries in which the group is based, the average number of working hours per week is generally set by law.

France set up initiatives for a better balance between work and personal life by offering flexible work hours at the site or work at home.

For example:

- in France, on July 4, 2013, AREVA SA signed a telecommuting addendum to the group's agreement on the Quality of Working Life of May 31, 2012. This addendum regulates the use of telecommuting. It promotes a better balance between work and personal life. It helps improve the quality of working life and keeps disabled employees at work or in therapeutic part-time. It continues to apply to the activities of Orano. At the end of 2016, nearly 280 employees from all of the Orano group's sites benefited from this new work organization. A telecommuting survey was conducted with the 485 managers and employees concerned. The answers obtained (61% participation rate) will go into the discussions leading up to the renegotiation of this agreement in the second half of 2018. In addition, a significant number of facilities employ a variable schedule;
- in the United Kingdom, full-time employees work an average of 37 hours per week. Overtime is not paid. Orano authorizes telecommuting in exceptional circumstances. This working-hour arrangement is possible under certain conditions for employees who have completed their trial period;
- in the United States and China, the standard work schedule is 8 hours per day, i.e. 40 hours per week.

3.5.2.2 Principal indicators

3.5.2.2.1 Status of collective bargaining agreements

In France, the trade unions and management negotiated four agreements in 2017:

- an agreement, signed by the five trade unions, concerning the New AREVA 2017 labor agreement ("Contrat social New AREVA 2017"). This agreement defines the basis of the 2017 wage policy and covers the Company's commitments in terms of skills management and staff recruitment, including for work study positions. The agreement also provides for an optional increase in total days worked (to 215 days) for engineers and managers;
- an agreement on the establishment of a mandatory group profit sharing scheme and a so-called better fortunes provision, detailed above;
- an agreement on the introduction on January 1, 2018 of a new working time account, uniform across the group and with a set limit and without any matching contribution from the employer;
- an agreement on the set up of a collective retirement savings scheme (PERCO).

Lastly, following the capital increases that took place at the end of July, the trade unions and management signed other agreements governing labor relations throughout Orano (introduction of group trade union coordinators, resources allocated to labor relations, creation of a group committee and a group Health, Safety and Working Conditions Committee CHSCT).

In addition, wage negotiations under the extension of the labor agreement resulted in the signing of one agreement for all legal structures.

Finally, five agreements in anticipation of the merger of several companies in the Dismantling and Services BU as of January 1, 2018 were signed during the second half of 2017.

3.5.2.2.2 Absenteeism

The method for collecting and calculating annual absenteeism data has been in place since 2013. It covers the group's largest footprints, representing 97% of Orano's global workforce[1].

Average number of calendar days per year of absence for illness or a child 's illness, per employee with an active open ended employment contract	2017	2016
France	10.1	9.8
Rest of World	3.1	3.3

3.5.3 Discrimination and human rights violations

As a socially committed corporate citizen, Orano places particular importance on eliminating all risk of discrimination and violations of human rights. It has developed its own provisions for reporting and whistleblowing.

In terms of discrimination and human rights violations, the three main categories of risk factors are:

- non-compliance with the obligations of the Labor Code and collective agreements;
- discrimination, per the 24 criteria defined by the Labor Code;
- occurrences of occupational stress (OS) and sexual or non-sexual harassment.

Regarding discrimination, a risk map has been drawn up at the Orano France level, showing where the 24 discrimination factors intersect with the four main HR areas. These are recruitment/hiring, career development, training and compensation, plus the employment climate of the Company.

Concerning OS, a grid showing the human impact of corporate change is drawn up in the event of significant change in the organization, in terms of the factors of occupational stress, with an associated plan of action (for example, as part of the voluntary departure plans and associated reorganizations, some one hundred grids were drawn up).

3.5.3.1 Management and control system

In accordance with the Code of Ethics of AREVA SA, applicable mutatis mutandis to Orano, the group has and implements a process of ethics and respect for human rights and the fundamental conventions of the International Labour Organization (ILO). The Code of Ethics is updated regularly to include best practices in light of changes in the group's national and international environment. Individual behaviors and management activities may be audited for compliance with the Code, which serves as a set of standards and a code of conduct in this regard.

By explicitly reiterating these tenets, Orano underscores its commitment to these international values and principles, which every employee is expected to uphold.

3.5.3.1.1 Respect for the freedom of association and the right to collective bargaining

Respecting the principles of the United Nations Global Compact, Orano is committed to "respect the freedom of association and to recognize the right of collective bargaining".

3.5.3.1.2 Elimination of forced or compulsory labor

In accordance with the principles of the UN Global Compact, Orano works for "the elimination of all forms of forced or compulsory labor".

3.5.3.1.3 Effective abolition of child labor

In accordance with the principles of the UN Global Compact, Orano works for "the effective abolition of child labor".

3.5.3.1.4 Elimination of discrimination related to employment and occupation

Orano's action principles for stakeholder relations state, as regards employees, that "Orano's workforce is constituted without discrimination".

In general, HR processes concern the diversity and non-discrimination policy as a whole and particularly verification that managerial decisions affecting employees are made according to the principle of equal treatment.

[1] Calculation rule: the average number of calendar days of absence per year due to sickness (including pathological pregnancy and therapeutic part-time, but excluding maternity leave, occupational injuries and commuting accidents) or for caring for a sick child, per permanent employee. The definitions reflect the variety of local practices.

In France, an audit was carried out in the first quarter of 2014 for the renewal of AREVA SA's Diversity Label. The certification was confirmed for a four-year period on July 6, 2014. In particular, the auditors validated the sustainability and maturity of AREVA's approach to diversity and appreciated its evolutionary nature and its alignment with changes in the group. The follow up audit initially scheduled for mid 2016 was postponed to the first half of 2018 due to the transformation plan. It will be carried out solely for the Orano scope of consolidation.

In the United States, Orano is recognized as an Equal Opportunity Employer (EOE) by the U.S. Equal Employment Opportunity Commission.

In France, Orano's policy favoring professional equality between women and men derives from the AREVA group agreement signed in 2012 and renewed on June 28, 2016 and which applies mutatis mutandis to Orano. Nine agreements have been signed in various Orano subsidiaries. A transposition negotiation is planned for the second half of 2018.

In the United States, a proactive anti-discrimination and anti-harassment policy is also carried out, and the Human Resources Department offers special training in this regard. It expresses its commitment to minorities, women, seniors, veterans and people with disabilities through various measures, such as partnerships with subcontractors committed to diversity, membership in Direct Employers (an employment agency dedicated to helping recruit minorities, women, veterans and persons with disabilities), and participation in training and employment initiatives.

Gender equality

In France, AREVA SA signed its first group agreement in favor of gender equality on December 12, 2012. This three year agreement addresses all of the issues covered by the French law of November 9, 2010: promoting gender equality in hiring and employment, guaranteeing equivalent career paths to men and women, guaranteeing equivalent compensation and promotions, ensuring equal access to training, improving the work life balance, increasing employee awareness, and communicating with employees. It was renewed on June 28, 2016.

The agreement provides for an equal opportunity budget used to offset unjustified compensation gaps at equal levels of responsibility.

Orano sets a particularly high value on women's career development. In addition to having women join their teams, Orano takes care to ensure their fair promotion for equivalent skills throughout their careers.

Employment of and support for the disabled

Since 2006, AREVA SA has led a group policy in favor of building all talents and of openness to difference in the workplace.

On April 25, 2017, a fourth agreement was signed with labor partners, covering the whole of the AREVA group but only for 2017, as an interim agreement. Negotiations for a new three-year agreement solely covering the Orano scope should begin in the first quarter of 2018.

3.5.3.1.5 Whistleblowing provisions

Orano's rules of conduct state that each employee must alert the group in full confidentiality and may refrain from executing any instruction in patent conflict with the Code of Ethics, without any risk of retaliation when acting in good faith. By itself, this commitment is a major guarantee of compliance with the principles and rules of Orano's Code of Ethics.

Employees have multiple paths of recourse in connection with the group's anti-discrimination measures. They may contact their local HR manager, their manager, the compliance director or the labor partners.

In France, an additional recourse was established: the Alert and Claim System. To facilitate the reporting of any discrimination or discriminatory behavior and to comply with the obligations conferred by the Diversity Label, Orano's Human Resources Department deployed an Alert and Claim System in France. This system supplements other internal corporate systems to report actual or alleged discrimination in the group. It follows rules and a process developed in concert with the group's Director of Compliance and is the subject of authorization by the National Commission on Informatics and Liberty (CNIL).

3.5.3.2 Principal indicators

In the area of gender equality, in 2017, women represented 27% of hires, 40% of which were among executives, making 21% of the workforce women, of whom 27% are managers, a significant increase compared to 2016 (17% of hires were women, and 23% of managers hired). Women make up 25% of the Management Committees of the business units and support functions.

In terms of the employment and inclusion of persons with disabilities, a proactive policy allowed us to achieve an employment rate of 5.24% in 2016 in the Orano consolidation scope. The 2017 figure will be known in March 2018.

In the area of fair treatment, in 2016 and 2017 nearly 250,000 euros were spent on reducing unjustified discrepancies. A special purpose budget was again included under the New AREVA 2017 labor agreement ("Contrat social New AREVA 2017").

In terms of anti-discrimination, in France in 2017, ten alerts were reported (including four through the alerts and claims mechanism), compared to eight in 2016. After review, two have proved genuine and corrective measures have been taken (level with 2016).

Concerning occupational stress, a process for including these in the “corporate single document” (French acronym DUE) is under way. The process and training are now in effect, and task leaders are about to be hired.

3.6 Risks related to subcontracting and suppliers

3.6.1 Mapping identified risks

Given the nature of its operations, the group has identified potential risks with its suppliers and sub-contractors in the following areas:

- Human Rights and Fundamental Freedoms;
- occupational health and safety;
- nuclear safety and the Environment.

In order to identify the suppliers and subcontractors that can potentially present risks, the group uses three basic criteria:

- the volume of annual purchases made with the supplier or sub-contractors;
- the business segment;
- the geographic location of the activity.

For suppliers located in non-SOC countries (Sourcing Opportunity Countries), in 2017 Orano chose a threshold volume of annual purchases of 5 million euros for undertaking the required analyses, i.e. 60 suppliers group-wide.

For suppliers located in the SOC countries, in 2017 Orano used a threshold volume of annual purchases greater than 500,000 euros, raised to 3 million euros for the Mines BU owing to its significant volume of purchases given the location of its activities (see 3.6.2.6. Specific measures of the Mines BU for hygiene, health and safety), or a total of 12 suppliers group-wide.

The 60 suppliers identified in the non-SOC countries are located in France, Belgium, the United States, Canada and Japan.

The 12 suppliers identified in the SOC countries are located in Turkey, Poland, and more specifically Kazakhstan and Niger for Mines, and Niger and in Russia for Logistics.

3.6.2 Existing management and control system

3.6.2.1 Orano's Code of Ethics

Orano's Code of Ethics describes Orano's ethical commitments vis-a-vis its stakeholders, as well as its expectations from its employees and its suppliers or sub-contractors. It states the rules of conduct to which all must adhere at all times. The supplier must sign it at the time of contracting with Orano.

The group conducts its activities in strict compliance with Human Rights, as defined in the Universal Declaration of Human Rights approved by the United Nations. It scrupulously observes the laws and regulations of the countries in which it operates, as well as its own internal rules and the rights of its employees. Accountability, fairness and openness to dialogue characterize Orano's conduct. The group endeavors to provide accurate and relevant information enabling objective assessment of its performance in terms of environmental, economic, social and societal responsibility.

With regard to suppliers and subcontractors, Orano:

- within a competitive framework, sets out to forge sustainable partner relationships with its suppliers and subcontractors with a view to providing services of the highest standards to its customers;
- from the procurement inquiry stage, undertakes to maintain loyal, fair and objective relations marked by mutual respect with all its suppliers, subcontractors and partners;
- protects the image of its suppliers and their confidential data as if it were its own;
- endeavors to ensure that regular suppliers directly related to its core activities, subcontractors, financial partners, consultants and selling intermediaries (distributors, agents, etc.) abide by this Code of Ethics. Their own regular suppliers or subcontractors, as well as the group's industrial partners, are urged to subscribe to it, at least with regard to their activities directly relating to Orano's core activities;
- reserves the right to verify that the practices of its suppliers and subcontractors comply with Orano's Code of Ethics at all times, and throughout the goods and services supply chain.

3.6.2.2 Commitment to Sustainable Development

Orano wishes to engage its suppliers in its efforts toward sustainable development.

For several years, Orano has included in its contracts and general conditions of purchase, provisions concerning suppliers' observance of this commitment.

Under the terms of this commitment, suppliers agree to promote respect for human rights, labor rights (work standards, child labor, discrimination, length of workday and minimum wage) and the environment, along with a nuclear safety and security system.

Each supplier also agrees to make ongoing efforts toward progress in these areas, efforts which are taken into account when being listed as an Orano supplier.

3.6.2.3 Orano's supply chain manual

The group's procurement is governed by the Orano Supply Chain Manual.

This Supply Chain Manual defines the process for listing, evaluating and tracking suppliers and defines the criteria for risk prevention and working conditions.

It requires suppliers to provide documents and to respect procedures which underscore the commitment of the group to scrupulously respect the laws and regulations in the States in which it operates.

The documents are the group's Code of Ethics and the commitment to sustainable development by which suppliers must abide. In this connection, each supplier receives a questionnaire concerning its commitment to sustainable development.

Orano's General Terms and Conditions of Purchase are also made part of the documents required by the procurement process. They provide that any order or contract shall include, in addition to the contractual conditions, the Code of Ethics and the commitment to sustainable development. Finally, each supplier fills out a questionnaire concerning its commitment to sustainable development.

These documents are detailed in the following paragraphs.

Additionally, the process of listing, evaluating and following up suppliers and subcontractors is based on a principle of proportionality to the challenges.

Orano's contracts are thus divided into three categories as a function of the risk level and based on a prior risk analysis called the "hazards analysis".

The analysis is filled in for any contract involving intervention at a site and requirements concerning protected interests, before the technical specified drafts the requirements.

The level of the activity's risk determines the list of suppliers invited to bid and the measures to be taken for contract follow-up and operational supervision to ensure the control of subcontractor health, safety, environment and sustainable development requirements.

Orano also strengthened the best-offer principle in its bid selection process in accordance with the roll-out of the social specifications. Criteria covering risk prevention aspects and labor aspects were introduced in the bid evaluation process.

In practice, technical bids deemed to meet the expression of requirements undergo a quantified assessment, with a weighting of 10% based on risk prevention and working conditions criteria.

3.6.2.4 General Terms and Conditions of Purchase (GTCP)

An integral part of the contract, the GTCP set forth the obligations on suppliers as to hygiene, safety and health protection, as well as respect of the environment. They include provisions concerning the obligations the provider must respect in terms of:

- hygiene, safety and protection of health;
- regulated substances (the REACH regulations);
- sustainable development relating to human rights, health, safety, labor law and the environment.

Non-compliance with these provisions may result in the termination of the contract or order.

The GTCP include provisions such that Orano where applicable, its customer, any third party commissioned by Orano or any duly empowered authority shall have access to the premises of the supplier, its subcontractors and suppliers for the purpose of inspections or audits of all the requirements specified in the order.

3.6.2.5 Annual outsourcing report

The Supply Chain Unit helps the group's Safety, Health, Security and Environment Department issue an annual report on the state of outsourcing in France, sent to the French Ministry with oversight. This report is also transmitted to the French Nuclear Safety Authority (ASN) and the French Institute of Radiation Protection and Nuclear Safety (IRSN). It reports on the inclusion of safety-security-environment requirements in the procurement process, as well as on the monitoring of authorizations, training and awareness programs for outside companies operating on Orano sites.

3.6.2.6 Specific measures of the Mines BU for hygiene, health and safety

For operations in remote areas, the Mines BU surveys the outsourcer's health care arrangements (such as occupational medicine, vaccine requirements, training in first aid, medical care, infirmary, equipment, medical evacuation plans) on the isolated sites (Kazakhstan, Mongolia).

On the production sites in Niger, dosimetric monitoring of the relevant outsourcers is provided by the Orano subsidiaries themselves, to ensure monitoring quality identical to that of its employees.

3.6.2.7 Specific measures of the Logistics BU for the safety and security of transport

The international agreements concerning the various modes of transportation of hazardous materials define the categories of transportation and the types of models of packages, according to the safety issues involved. Each country writes these principles into its national regulations (for example in France: the TMD Decree -French acronym for hazardous materials transportation- issued by the Ministry of Ecological and Inclusive Transition). Every subsidiary of the Logistics BU manages itself in a way that complies with these provisions.

For the highest risk shipments, the design, manufacture and use of packaging for the transportation of nuclear materials undergo an evaluation process by the competent authorities (in France: the ASN, the Nuclear Safety Authority).

To keep a close watch on transportation activities, the Logistics BU employs a “transportation oversight” process whose purpose is ensure that the all transportation risks operational, safety, physical protection, media-related and industrial involving Orano are under control.

The approach consists, firstly, of identifying and analyzing all the transportation flows that may present a risk to Orano. An exhaustive collection of information about all the transportation flows carried out or supervised by the group’s Logistics BU is made to assess the level of risk and, if necessary, to recommend actions to take.

In addition, “transportation oversight,” by closely monitoring all shipping, makes it more possible to take any risks identified into account.

The oversight is physical and, on the ground (shippers’ sites, recipients’ sites and trans-shipment zones, including ports and airports) by a team of qualified inspectors who review the operations of the group’s and its subsidiaries’ shipping providers, in every country where the group makes shipments. In 2017, 150 inspections and 34 audits were performed.

3.6.3 Actions planned in 2018

On the basis of the business risk map drawn up in 2017, Orano will undertake several further risk assessments.

Concerning the French suppliers subject to the corporate duty of care act, Orano will study their annual reports to verify the measures taken by them. Depending on the results of this analysis, Orano will reserve the possibility of carrying out more in-depth analyses of the companies concerned.

As regards suppliers not subject to the act, Orano will vet them further by sending questionnaires and conducting audits, if necessary.

3.7 **Risks associated with corruption risk and influence peddling**

3.7.1 Description of the main risks identified

Given its business activities and its geographic coverage, the group could be exposed to risks of bribery or influence-peddling.

In a context where regulations are changing and where the actions of the authorities are intensifying, any behavior contrary to ethics or in violation of the laws and regulations relating to corruption, directly or indirectly (via an intermediary), could expose Orano or its executives to prosecution by the competent authorities and negatively affect the reputation and financial position of the group.

3.7.2 Management and control system in place

In accordance with the requirements of the French Law of December 9, 2016 relating to transparency, combating corruption and the modernization of economic life, and prompted by its Executive Management, Orano has strengthened its organization for the prevention of corruption along the recommendations of ISO Standard 37001 and the French Anti-corruption Agency (AFA).

This organization is based on the involvement of Executive Management and the Board of Directors and on the following eight pillars:

- an anti-corruption code of conduct to be included in the Orano group's Code of Ethics;
- an in-company whistleblowing process open to all employees and accessible on the intranet;
- a business risk mapping done by business unit, by country and by function;
- third-party assessment procedures, based on the risks identified, currently being rolled out;
- accounting controls, currently being put in place;
- training in corruption risk for all personnel in an ethically exposed job; an e-learning training module is available, and in-classroom training has been provided to employees in the most exposed activities;
- a system of disciplinary sanctions;
- a control and assessment procedure by Executive Management and by the group's Ethics Committee, to which an annual ethics report is submitted;

3.7.3 Main actions for improvement planned

In accordance with the recommendations of the AFA, in 2018 Orano will extend its evaluations of third parties to its main partners, especially to those who are located in high-risk countries as shown by their ranking on international indices of perceived corruption.

Furthermore, the Compliance Department will provide support to the various Business Units and corporate departments to ensure operational deployment of the management procedures across all pillars.

3.8 **Risk of food waste**

The risk of food waste has not been identified as a significant risk in Orano's activities and no specific policy has been devised for it.

3.9 **Risks related to the group's business activities**

3.9.1 Insurance specifically covering the activities of a nuclear facility operator

All insurance other than that covering the specific risks related to the activities of a nuclear facilities operator is discussed in Section 3.1.1.2 *Risk coverage and insurance*.

International nuclear liability law is distinct from general liability law in that the operator of the nuclear facility causing the damage has sole liability. Its liability is objective ("no fault"), for which there are few exemptions. The operator of a nuclear installation is therefore required to compensate the victims for any physical injury and property damage they have suffered and for this purpose must maintain a financial guarantee (generally, an insurance policy), in order to cover its liability, for a limited amount.

This arrangement is defined by international conventions, including the Paris Convention of July 29, 1960 as amended, supplemented by the Brussels Supplementary Convention of January 31, 1963. All of Orano's nuclear facilities are located in France, where the maximum amount of the operator's nuclear liability until February 17, 2016 was 91.5 million euros per nuclear accident in a nuclear facility and 22.9 million euros per accident during transportation. Beyond this, the French State may intervene, up to a maximum of 228.6 million euros. The community of States parties to the Brussels Convention can intervene beyond 228.6 million euros, up to 381.1 million euros.

Amendment protocols of the Paris and Brussels Conventions significantly increase the three tranches of compensation but are not yet in effect.

However, French law no. 2015-992 of August 17, 2015 on the Energy Transition for Green Growth in France, the TECV law provides for the early application of the increase in the cap on the operator's nuclear liability. Thus, since February 18, 2016, the operator's liability is capped at 700 million euros per nuclear accident in a nuclear facility, at 70 million euros in a reduced-risk facility (article L. 597-28 of the French Environmental Code) and at 80 million euros per nuclear accident during transportation (article L. 597-32 of the Environmental Code).

One of the group's RNFs (SOCATRI) and one of its ICPEs (STMI in Bollène) appear on the list of sites benefiting from reduced liability amounts, pursuant to Decree No. 2016-333 of March 21, 2016 implementing Article L. 597-28 of the French Environmental Code related to liability in the nuclear energy field.

Description of insurance acquired

For its regulated nuclear facilities (INB) in France and abroad, and for its nuclear transportation operations, group companies are covered by the insurance program to which Orano has subscribed. These insurance policies comply with the international conventions governing nuclear operator liability, as well as the aforementioned law no. 2015-992, including in terms of liability limits.

Property and business interruption insurance for nuclear operations

Due to the nature of the potential damage to the facilities, this type of insurance is available only through pools or through specialized mutual insurance companies capable of providing the necessary coverage. The limits of coverage for this type of insurance are based on the estimated replacement value or on an estimate of the maximum possible loss (MPL). Insurance coverage for some facilities can be up to one billion euros.

Mining operations are not covered by property and business interruption guarantees for the nuclear process, but rather are covered by specific programs controlled by Orano's Insurance Department.

The risk that the coverage terms of the insurance policies are not met or that the ceilings for this coverage are met and that thus the policies are insufficient to fully cover the consequences of a disaster cannot be ruled out.

3.9.2 Risks related to end-of-lifecycle operations

As operators of regulated nuclear facilities (*installations nucléaires de base*, INB) and industrial facilities covered by legislation on environmentally regulated sites (*installations classées pour la protection de l'environnement*, ICPE), the group's legal entities have an obligation to ensure the safety and dismantling of those facilities during their final shutdown, in whole or in part; to restore the sites; and to manage the products resulting from these operations.

The group plans for the dismantling of its new facilities from the beginning of the design phase. Computer programs were developed to facilitate the adoption of new traceability standards, thus reducing the research necessary for characterization at the end of operations (radiological, physico-chemical, etc.) as well as the impacts of dismantling work.

In France, the law provides a mechanism for ensuring that the operators of INBs have sufficient assets to fund long-term expenses associated with the dismantling of these facilities and/or the management of used fuel and radioactive waste.

Future expenses associated with the end-of-lifecycle operations of nuclear facilities and with the remediation of regulated industrial facilities have been identified, and specific provisions have been constituted by the legal entities which operate those facilities. Rules related to provisions for end-of-lifecycle operations are described in Appendix 7.1. *Consolidated financial statements*, Note 12. End-of-lifecycle operations.

Provisions for end-of-lifecycle expenditure are based on the group's estimates of future costs, which are by nature based on assumptions. It cannot be stated with certainty, however, that the amounts currently provisioned will be in line with the actual costs finally incurred by the group. It is therefore possible that these future obligations and potential expenses or potential additional future liability of a nuclear or environmental nature that the group may later have to bear could have a significant negative impact on its financial position.

The main risks that could have a significant impact on the cost of end-of-lifecycle operations are in particular:

- differences between the initial estimated condition of legacy facilities and waste and their actual condition;
- changes in regulations, particularly with respect to dismantling, the target final condition of the facilities and soils after dismantling, the storage solutions used or the requalification as waste of radioactive materials currently still considered to be reusable;
- the appreciable increase in radioactive waste packaging and disposal costs, particularly for waste destined for geologic disposal (cost of the future CIGEO geologic repository) and for which no final disposal method has yet been identified.

At December 31, 2017, we can note two events that may influence the amount of end-of-lifecycle provisions:

- an audit of the quotation for the dismantling of the Georges Besse enrichment plant, conducted by the administrative authority (DGEC), concluded in July 2017 with the issue of a report listing the recommendations of the auditors. A follow-up letter to be issued by the DGEC will shortly specify the actions demanded of the operator as a result of this audit. Taking these demands into consideration could lead to raising the estimate for dismantling the Georges Besse plant (EURODIF);
- by letter dated February 28, 2017, the Minister of Economy and Finance, and the Minister of Environment, Energy and Oceans informed the Chairman of the Board of Directors of AREVA NC (now Orano Cycle) of their decision to modify the formula for calculating the regulatory cap on the discount rate, as from 2017. The Decree of December 29, 2017 amended the regulatory ceiling defined by the Decree of February 23, 2007 as amended relating to securing the funding of nuclear expenses, as detailed in Appendix 1.3.11 Accounting principles (see Appendix 7.1 Consolidated financial statements).

The group holds a portfolio of financial assets (equities, bonds, investment funds and third-party receivables) to fund operations related to its future end-of-lifecycle obligations. In December 2017, cumulative matching funds of 812 million euros were provided for the dismantling of the legal entities that comprise Orano. Thus, at December 31, 2017, for the end-of-lifecycle obligations falling within the scope of Articles L. 594-1 et seq. of the French Environmental Code, the legal entities that comprise Orano had assets representing 101% of the end-of-lifecycle liabilities.

However, and despite the group's prudent management strategy for earmarked assets, outside economic factors may have an unfavorable impact on the earmarked assets' coverage of end-of-lifecycle liabilities, and thus the group's financial position. Examples are:

- an unfavorable development in the financial markets that could pose a risk of lower performance of the assets versus the assumptions currently retained;
- a reduction in the discount rate or any other change in regulations related to the earmarked assets or liabilities.

Lastly, although the used fuel treatment contracts call for the waste and residues from these operations to be allocated to and ultimately retrieved by the original waste producer, as the temporary holder of the radioactive waste produced by its customers, the group could be considered liable if a customer defaults or files for bankruptcy.

3.9.3 Risk of interruption in the supply chain for products or services

An industrial breakdown, a work stoppage or an interruption of the supply chain in the group's manufacturing plants or at a supplier's location could delay or stop the flow of the group's products or services.

This risk is increased by the fact that the group's various plants, for each given operation, are strongly integrated and interdependent. In addition, some of the group's suppliers could have financial difficulties, could cease to be authorized to market their products, particularly under the European REACH regulation, or might not meet the demand in accordance with the deadlines and quality standards required by the group. A potential breakdown or stoppage of production in a plant or at a supplier's location, or an interruption of some shipments could affect all of the group's operations and cause an interruption of supplies or services.

Contracts between the group and its customers include a certain number of warranties that can trigger penalties for delays.

Although the group carries out measures to limit the impact of any breakdowns and this risk is covered by business interruption insurance, and despite selecting its suppliers according to strict quality and financial strength criteria, it cannot completely eliminate the risk of the occurrence of:

- an industrial breakdown; and/or
- an interruption to the logistics chain or to work in the group's industrial units or at a supplier; and/or
- difficulty in replacing certain suppliers if they lose the authorization to market their products.

The occurrence of any one of these risks could have a significant negative impact on the group's financial position and its ability to respond optimally to the requests of its customers.

3.9.4 Risk of default by suppliers, subcontractors, partners and customers

Orano's suppliers, subcontractors and partners could encounter financial difficulties related to economic conditions and no longer be in a position to perform contracts entered into with the group.

Depending on the region, the economic situation could have a negative impact on the group's suppliers, subcontractors, partners and customers, whether as concerns their access to sources of funds or their ability to meet their obligations in the group's regard.

3.9.5 Risk associated with dependency on the group's customers

Orano's loss of one of its main customers or a reduction in their purchases or an erosion of contract terms or conditions could have a significant negative impact on the group's operations and financial position.

Orano has very substantial commercial relations with the EDF Group. In the last four months of 2017, EDF France accounted for approximately 24% of the group's revenue and 34% over the full year 2017. In the fuel cycle, the relationship between EDF and Orano is governed by multi-year contracts.

In its operating segments, these contracts give Orano operating visibility beyond 2020, with the regular renewal of multi-year contracts.

In addition, the impacts of the law of August 17, 2015 on the energy transition in France (Articles L. 311-5-5 and L. 100-4 (5)) on EDF's operations were specified in the Multiyear Energy Program (PPE) approved by Decree no. 2016-1442 of October 27, 2016. For additional information on the impact of the PPE, see Section 3.12.2 Risks related to the multi-year energy program (PPE).

The group's ten biggest customers, including the EDF Group, represented close to 59% of its revenue during the financial year.

3.9.6 Risk related to the information system

All industrial and commercial activities in the Orano group rely on a mission-critical information system.

The group deploys resources to ensure information system security and the fluidity of its business processes.

However, faced with constantly changing threats and the growing sophistication of the attacks, it cannot guarantee that they will remain without significant impact on its operations.

Similarly, the group cannot guarantee that no technical malfunction will occur likely to cause significant disruptions.

3.9.7 Supplier concentration in the procurement chain

A decrease in the supply of certain strategic components or an increase in the cost of certain commodities could have a negative impact on the group's production costs.

Orano's operations require large supplies of specific commodities and semi-finished products, including base products and others. Some operations also use large quantities of electricity.

Orano's substantial needs for commodities and semi-finished products are such that the group could experience procurement difficulties, given the limited number of suppliers.

For all of these operations, a shortage of commodities or semi-finished products could translate into a production slowdown or even, in certain circumstances, in shutdown.

3.9.8 Risks related to implementation of the performance plan

This plan is based primarily on streamlining operational costs and optimizing productive investments.

While the group is working on the successful implementation of this performance plan, no guarantees can be given as to the achievement of the envisaged profits and cost reductions within the expected period of time. If the group fails to achieve the objectives of the performance plan on time, or if it fails to reach its objectives, such failure could have a significant unfavorable impact on the group's financial position.

3.9.9 Risk related to major projects

Generally, revenue, cash flow and profitability recognized for a project may vary significantly as a function of the percentage of completion of the project involved. Furthermore, they may depend on a certain number of items such as the occurrence of unforeseen technical problems inherent in the complexity of the projects and/or relative to the equipment supplied; loss of skills or questions about technologies; postponements or delays in the execution of contracts or capital projects; and changes in the position of customers or the geopolitical context of the countries on which they rely. They may also include financial difficulties or payments withheld; the default or financial difficulties of suppliers, subcontractors or partners in a consortium in which the Company is jointly responsible; and additional unforeseen costs resulting from project modifications or changes in legislation. The profit margins on some of the company's contracts may prove to be very different from those initially anticipated insofar as costs and productivity may vary significantly during the execution of the contract or the implementation of capital projects.

Orano's industrial projects

The group cannot ensure that industrial projects or mining projects can be implemented within the planned budgets and schedules or that they are consistent with the operating requirements of the sites involved.

The group cannot guarantee that the income from mining or industrial projects will enable it to cover its operating, depreciation and amortization expenses or give the expected return on investment, particular if the competitive situation in the target market changes.

Similarly, in the case of transitions between two industrial plants, the group cannot guarantee that facility shut-down and start-up schedules will be optimized to minimize the financial and social impacts.

In addition, the group cannot guarantee that suppliers associated with the different projects will provide their products or services on time and as required in the contracts.

Such risk could have a negative impact on the group's operations and, especially, its financial position.

3.10 **Legal risks**

3.10.1 Nuclear and environmental regulations

Orano conducts its operations under operating licenses and permits, in accordance with local laws. In particular, these operations require licenses relating to production capacities and to environmental releases from the facilities. The group is required to comply with applicable legislation and regulations, in particular concerning the protection of the environment, employees, public health and nuclear safety, and with its operating licenses and permits. In the event of an incident or of non-compliance, the operator may be subject to administrative, civil or criminal sanctions. In addition, damage to the environment, to public health or to occupational safety, or the non-compliance of the group's facilities could result in liabilities for some of the group's entities with regard to third parties and government agencies.

Moreover, a strengthening of or change in legislation or regulations, particularly in areas such as the environment, health and nuclear security, could necessitate updates to the group's facilities and products in order to ensure compliance. In France, the provisions of the French Nuclear Safety and Transparency Law 2006-6886 of June 13, 2006 ("TSN Law") codified in Articles L. 593-1 et seq. of the French Environmental Code require a periodic reassessment of nuclear safety, which is likely entail considerable expense in respect of compliance.

The group may also not receive on a timely basis permits or licenses to modify or expand its industrial operations for which it has applied or may apply, whether in France or abroad, possibly limiting its growth capabilities.

Some operations, such as those of the Mining Business Unit in certain countries, are subject to special tax rules whose modification could have a negative impact on the group's financial position.

Orano's operations are subject to constantly changing and increasingly stringent national and international regulations in the nuclear and environmental fields. The list of the group's regulated nuclear (RNF) or similar facilities is presented in the table below.

NUCLEAR FACILITIES FOR WHICH ENTITIES OF THE GROUP HOLD THE OPERATING PERMIT OR LICENSE

The main nuclear facilities to date, whether classified as regulated nuclear facilities in France (INB) or their corollaries in other countries, are listed below.

Location	Business Unit	Legal Entity holding the license	Description
Malvési (France)	Chemistry	Orano Cycle	Packaging and storage of radioactive substances
Tricastin (France)	Chemistry	Orano Cycle	Preparation of UF_6
Tricastin (France)	Chemistry	Orano Cycle	Conversion of enriched uranium-bearing materials (U_3O_8)
Tricastin (France)	Chemistry	Orano Cycle	Analytical laboratory
Tricastin (France)	Chemistry	Orano Cycle	Tricastin uranium staging areas
Tricastin (France)	Enrichment	Eurodif Production	Georges Besse gaseous diffusion enrichment plant
Tricastin (France)	Enrichment	SET	Georges Besse II centrifuge enrichment plant
Tricastin (France)	Enrichment	Socatri	Plant for uranium recovery and cleanup
Veurey (France)(1)	Valuation	SICN	Fuel fabrication plant (undergoing decommissioning)
La Hague (France)(2)	Recycling / Decommissioning & Dismantling	Orano Cycle	Used fuel treatment plants and liquid effluent/solid waste treatment facilities
Marcoule, France	Recycling	Orano Cycle	MELOX MOX fuel fabrication plant

(1) Two INBs at this site are in final shutdown/dismantling status, pending decommissioning.
(2) Seven INBs at this site, including four in final shutdown/dismantling status.

Internationally, the International Atomic Energy Agency (IAEA) and the European Commission have each established a system of nuclear materials safeguards.

Other international agreements adopted under the umbrella of the IAEA govern nuclear safety in the facilities, including the Convention on Nuclear Safety (CNS) and the Joint (Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management).

With respect to the European Union, the provisions of the Euratom Treaty and its implementing provisions reinforce aspects related to nuclear materials safeguards and established a common set of rules, in particular concerning public health protection, radiation protection of workers and radioactive waste transportation.

In France, regulated nuclear facilities (INB, *installations nucléaires de base*) operated by Orano fall within a strict legal framework. Procedures related to the creation, modification, final shutdown and dismantling of regulated nuclear facilities are set by Decree no. 2007-1557 of November 2, 2007 as amended, pertaining to regulated nuclear facilities and, in matters of nuclear safety, to the regulation of the transportation of radioactive materials. These provisions were strengthened by the decree of February 7, 2012 as amended, which set the general rules for regulated nuclear facilities. Moreover, the codified provisions of the TSN Law, of law no. 2015-992 of August 17, 2015 on the Energy Transition for Green Energy (TECV) Law and of order no. 2016-128 of February 10, 2016 containing various nuclear-related provisions, stipulate administrative and penal sanctions (notably articles L. 596-1 et seq. of the French Environmental Code). Each RNF operator must submit an annual information report focusing in particular on the measures taken as concerns nuclear safety and radiation protection and waste discharged into the environment, which is made public (article L 125-15 of the French Environmental Code).

Regulated nuclear facilities are monitored closely by the French nuclear safety authority ASN, an independent administrative authority. Operations abroad are subject to the same type of rigorous control, the United States Nuclear Regulatory Commission (NRC) being one example.

In France, some facilities operated by Orano are subject to the provisions of Articles L. 511-1 et seq. of the French Environmental Code pertaining to environmentally regulated facilities (ICPE), depending on the operations performed or the substances involved. Facilities that may represent hazards or disadvantages for the interests protected by the French Environmental Code are subject to prior reporting, either through a registration process or through a licensing process.

Orano is also subject to regulations pertaining to the protection of its employees, its subcontractors and the public from the hazards of ionizing radiation (radiation protection), in particular by the establishment of exposure limits.

Other national and international provisions govern:

- the protection and safeguarding of nuclear materials, their facilities and their transportation;
- the safety of critically important facilities;
- nuclear facilities and operations involving national defense (French acronym IANID) as provided in the French Defense Code;
- the transportation of radioactive materials;
- monitoring trans-border movements of radioactive waste.

Specific regulations governing dismantling

The legal framework governing the dismantling operations carried out in France mainly derives from the codified provisions of the TSN Law, the TECV Law and the order of February 10, 2016 containing various nuclear-related provisions. In addition, the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management of September 5, 1997, adopted under the auspices of the IAEA, contains provisions related to the nuclear facility decommissioning process.

The legal entity responsible for the operation and dismantling of facilities is the nuclear operator. The operator remains responsible for the timing and methods selected to dismantle the facilities it operates, subject to the technical supervision of the French nuclear safety authority ASN, which validates each major stage of dismantling.

Depending on the specific characteristics of each facility, dismantling operations may take several decades. Dismantling involves a series of operations, from the shutdown of the nuclear facility to the decision of the competent authorities to decommission the facility. In France, Orano currently holds authorizations to operate 18 RNFs (of which six are officially in final shutdown/dismantling and two are waiting to be decommissioned), plus 1 declassified secret regulated nuclear facility. The level of dismantling selected depends in particular on the expected use of the site that hosts the regulated nuclear facility.

The non-regulatory aspects of the dismantling are addressed in Section 3.9.2, *Risks related to end-of-lifecycle operations*.

Specific regulations governing radioactive waste

In France, the waste generated by operations or by the dismantling of RNFs is governed primarily by the French Environmental Code. At the international level, radioactive waste management falls under the purview of the IAEA's Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management. The producer of the waste from nuclear operations or dismantling operations is required to process and dispose of such waste. Under the terms of the French Environmental Code, producers of spent fuel and radioactive waste are responsible for these substances.

Under the terms of Articles L. 594-1 et seq. of the French Environmental Code, operators of regulated nuclear facilities must make accounting provisions to cover the cost of dismantling facilities and managing used fuel and radioactive waste, and allocate the necessary assets to cover those provisions. These assets are recognized separately and must be sufficiently secure and liquid to meet their intended purpose. Their realizable value must be at least equal to the amount of the provisions. These earmarked assets are protected against all creditors with the exception of the State. All of these elements are audited by the administrative authorities and assessed, every three years, by the National Commission for the evaluation of the funding of expenses for the dismantling of regulated nuclear facilities and the management of spent fuel and radioactive waste.

3.10.2 Contractual and commercial risks

3.10.2.1 Breach of contractual commitments

The Orano group is exposed to the risk of default by its customers for the payment of its products and services and/or by its suppliers for the performance of certain services or for the delivery of certain products.

In such instances, the group may not be able to recover expenses incurred for a project and consequently may fail to achieve the operating margins factored in when the contract was signed.

Though the group endeavors to control its exposure to contractual risk, it is not possible to guarantee that all risks of non-payment or non-execution can be eliminated.

3.10.2.2 Non-renewal or termination of concessions related to the group's mining operations

The group's mining operations involve concessions received or partnerships formed under legal systems specific to each country. Despite the relatively long terms of these partnerships or concessions, the group is exposed to the risk of non-renewal or termination of its partnerships and concessions.

3.10.2.3 Long-term contracts

The Company signs long-term contracts that may prevent the group from taking advantage of increases in the market price of certain products or services. This is the case for certain natural uranium sales contracts, in particular, or for conversion or enrichment services.

In addition, the profitability of certain long-term contracts in which the group commits to providing deliverables at a fixed price, adjusted based only on general indices, could be affected by certain additional costs that cannot be passed on to customers, such as unanticipated increases in costs, technical difficulties, or subcontractor default. The performance of this type of contract could therefore reduce the group's anticipated profitability, or even cause an operating loss.

3.10.2.4 Warranties

The warranties provided in the group's contracts or financing are limited in duration and capped in value, and exclude consequential or indirect damages. However, the group could under certain circumstances give warranties exceeding those limits, particularly in competitive markets.

3.10.2.5 Early termination clauses

The group enters into contracts which sometimes include clauses allowing the customer to terminate the contract or reject the equipment if contract clauses concerning schedule or performance have not been met. Difficulties concerning products and services provided under this type of contract could thus result in unexpected costs.

In addition to the above-mentioned negative financial consequences, contract performance difficulties could harm the group's reputation with existing or potential customers, particularly in the nuclear sector.

3.10.2.6 Requirements contracts

Some contracts signed by entities of the group, in particular in the Chemistry-Enrichment Business Unit, are for variable quantities, depending on customers' reactor requirements. These are known as "requirements contracts". The estimates provided by Orano's customers in connection with these contracts may therefore be revised downwards in certain circumstances, with a corresponding reduction in the revenue anticipated by the Company for the contracts in question.

3.10.3 Risks and disputes involving the group

The Company is exposed to the risk of disputes that could lead to civil and/or criminal penalties.

3.10.3.1 Mr. Jean Marc Gadoullet

On October 6, 2016, Mr. Jean-Marc Gadoullet summoned AREVA SA and Orano Cycle SA before the Tribunal de Grande Instance of Nanterre, in order to obtain payment of compensation he claims is due in respect of services supposedly rendered to the Orano group in Niger between September 2010 and October 2013. AREVA SA and Orano Cycle SA believe that the claims of Mr. Gadoullet are unfounded and challenged in limine the jurisdiction of the Tribunal de Grande Instance in this matter. The Tribunal did not grant this motion and declared itself competent in a decision dated February 6, 2018. AREVA SA and Orano Cycle SA have filed an appeal of that decision.

3.10.3.2 Investigations

The company is aware of a preliminary investigation opened by the French National Financial Prosecutor's Office in late July 2015 concerning a uranium trading transaction made in 2011.

This investigation is being carried out in connection with legal proceedings against parties unknown and no Orano group entity has been implicated at this point.

3.10.3.3 Contingent liabilities

In Canada, Orano is faced with uncertainty as to the method of calculating mining royalties, since the legislation of the Province of Saskatchewan refers to "market prices", although the government provides no instructions or guidance on how to set or to demonstrate a market price.

3.11 **Financial risks**

Orano has an organization dedicated to implementing market risk management policies approved by Executive Management for centralized management of the exposure to foreign exchange, commodity, rate and liquidity risks.

In the Finance Department, the Financial Operations and Treasury Management Department (DOFT) engages in transactions on financial markets and acts as a central desk that provides services and manages the group's financial exposure. The organization of this department ensures the separation of functions and the necessary human, technical, and information system resources. Transactions handled by DOFT cover foreign exchange and commodities trading, interest rates, centralized cash management, internal and external financing, borrowings and investments, and asset management.

3.11.1 Liquidity risk

The liquidity risk is the risk that Orano may be unable to meet its immediate or short-term financial commitments.

The goal of liquidity management is to seek resources at the best cost and to ensure that they may be secured at any time.

In addition, the group's liquidity risk, including stress scenarios, is regularly monitored.

At December 31, 2017, Orano had a long-term credit rating of BB from Standard & Poor's, with a positive outlook.

[Orano reaffirms its objective of generating positive net cash-flow from the Company's operations starting in 2018. At December 31, 2017, the current portion of Orano's borrowings was 429 million euros and included a tap issue of approximately 59 million euros plus 52 million euros in interest maturing in September 2018, 60 million euros in amortization of the loan backed by certain future revenues of the Georges Besse II enrichment plant, 137 million euros of interest-bearing advances and 73 million euros of short-term bank facilities and non-trade current credit accounts.

In order to meet its commitments and ensure the continuity of operations over the long term, as at December 31, 2017, Orano had gross cash available of 1.95 billion euros. Additionally, the 0.5-billion-euro equity round reserved for third-party investors was completed on February 26, 2018.

The objective of these financial resources is to allow Orano to ensure its development and independently finance itself on the markets over the medium term. Beyond 12 months, the first significant loan maturities consist of the repayment of a tap issue of 750 million euros, maturing November 6, 2019.

3.11.2 Foreign exchange risk

In view of the geographic diversity of its locations and operations, the group is exposed to fluctuations in exchange rates, particularly the euro/U.S. dollar exchange rate. The volatility of exchange rates may impact the group's currency translation adjustments, equity and income. The value of the euro in relation to the US dollar has fallen approximately 14% between December 31, 2016 and December 31, 2017.

The business units with significant exposure to the risk of the US dollar's depreciation against the euro are Mining and Chemistry – Enrichment, due to their geographically diversified locations (local currencies: euro/FCFA, Canadian dollar, tenge kazakh) and to their operations denominated primarily in US dollars, which is the reference currency for worldwide prices for natural uranium and uranium conversion and enrichment services. The foreign exchange risk to be hedged is managed globally by business unit and is net (some requirements in different directions of the same currency are offset, providing a natural hedge). For medium/long-term exposure, the amount of the hedge is set up according to a gradual scale for a duration based on the highly probable nature of exposure, generally not to exceed five years.

As provided in the group's policies, operating entities responsible for identifying foreign exchange risk must initiate hedges for currencies other than their own accounting currency exclusively with the group's Treasury Department, except as otherwise required by specific circumstances or regulations. DOFT thus centralizes the currency risk for all entities and hedges its position directly with banking counterparties. A system of strict limits, particularly concerning authorized foreign exchange positions and results, marked to market, is monitored daily by specialized teams which are also in charge of valuation of the transactions.

For more information, please refer to Appendix 7.1 Notes to the consolidated financial statements, Appendix 28. Financial instruments.

3.11.3 Interest rate risk

The group's exposure to fluctuations of interest rates encompasses two types of risk:

- a risk of change in the value of fixed-rate financial assets and liabilities; and
- a risk of change in cash flows related to floating-rate financial assets and liabilities.

The group uses several types of derivatives, depending on market conditions, to allocate its borrowings and investments between fixed rates and floating rates, with the goal being mainly to reduce its borrowing costs while optimizing the management of its cash surpluses. The group's rate risk management policy, approved by Executive Management, is supplemented by a system of specific limits for asset management and the management of rate risk on borrowings. In particular, the system defines authorized limits for portfolio sensitivity, authorized derivatives for managing financial risk, and subsequent positions that may be taken.

For more information, please refer to Appendix 7.1 Notes to the consolidated financial statements, Appendix 28. Financial instruments

3.11.4 Risk on shares and other financial instruments

The group holds publicly traded shares in a significant amount and is thus exposed to changes in the equity markets.

Publicly traded shares held by the group are exposed to the risk of volatility inherent in equity markets.

In particular, the number of shares in the investment portfolio earmarked for end-of-lifecycle operations is given at December 31, 2017.

The risk of a decrease in the price of shares and of other non-current financial assets is not systematically hedged.

The risk on shares held in the portfolio of assets earmarked for end-of-lifecycle operations is an integral component of asset management, which uses shares to increase long-term returns as part of its allocation between bonds and equities.

In addition, the group is exposed to changes in the value of other financial instruments in its portfolio, in particular bonds and investment funds held in the portfolio earmarked for end-of-lifecycle obligations.

For more information, please refer to Appendix 7.1 Notes to the consolidated financial statements, Appendix 28. Financial instruments

3.11.5 Risks associated with uranium, enrichment and conversion

3.11.5.1 Uranium resources and reserves

The group's uranium reserves and resources are estimates only, drawn up by the group based on geological assumptions (e.g. core drilling results) and economic assumptions; there is no guarantee that actual mining operations will produce the same results.

The group could be led to modify these estimates if there is a change in evaluation methods or geological assumptions, and/or a change in economic conditions.

It is not possible to guarantee that the projected quantities of uranium will be produced or that the group will receive the expected price for these ores, which is indexed to market performance, in accordance with the contractual terms agreed upon with the customers.

There is no assurance that other resources will be available. Moreover, uranium price fluctuations, production cost increases and declining mining and milling recovery rates can affect the profitability of reserves and require their adjustment.

3.11.5.2 Price movements of uranium, enrichment and conversion

Fluctuations in the prices of uranium, uranium conversion and uranium enrichment could have a significant negative or positive impact on the financial position of the group's mining, enrichment and conversion operations.

Historically, the prices of uranium and of conversion and enrichment services have undergone significant fluctuations. These relate to factors outside the group's control. These factors include demand for nuclear power; economic and political conditions in countries which produce or consume uranium, including Canada, the United States, Russia, other CIS republics, Australia, and some African countries; nuclear materials and used fuel treatment; and sales of surplus civilian and defense inventories (including for example those from the dismantling of nuclear weapons).

If the prices for natural uranium, conversion and enrichment were to remain below production costs over a prolonged period, this could have a negative impact on the group's mining operations and uranium conversion and enrichment operations.

3.11.6 Commodity risk

The group does not have significant exposure to commodity price fluctuations other than those mentioned in Section 3.11.5 above.

3.11.7 Counterparty risk related to the use of derivatives and to the investment of cash management

The group is exposed to the risk of counterparties linked to cash deposits with banking institutions and the use of financial derivatives to cover its risks.

The group uses different types of financial derivatives to manage its exposure to foreign exchange and interest rate risks. The group primarily uses forward buy/sell currency contracts and rate derivative products, such as swaps, futures and options, to cover these types of risk. These transactions involve exposure to counterparty risk when the contracts are concluded over the counter.

In addition, almost all of the group's cash is centrally managed, in accordance with an internal policy which defines authorized products and placements. The group's cash is exposed to counterparty risk, primarily banking risk.

To minimize these risks, the group's Treasury Management Department deals with diversified, top-quality counterparties based on their ratings in the Standard & Poor's and Moody's rating systems, with a rating of Investment Grade. Moreover, a framework agreement, for example, is systematically put in place with counterparties likely to deal with derivatives.

The limits allowed for each counterparty are determined based on its rating and the type and maturity of the instruments traded. Assuming the rating of the counterparty is not downgraded earlier, the limits are reviewed at least once a year and approved by the group's Chief Financial Officer. The limits are verified in a specific report produced by the internal control team of the Treasury Management Department. During periods of significant financial instability which may entail an increased risk of bank default and which may be underestimated by ratings agencies, the group tries to monitor advanced indicators such as the value of the credit default swaps (CDS) of the eligible counterparties to determine if limits should be adjusted.

To limit the counterparty risk on the market value of its commitments, the group has set up a mechanism for margin calls with its most significant counterparties concerning interest rate transactions (including foreign exchange and interest terms and conditions).

3.12 **Other risk**

3.12.1 Political and economic conditions

Orano's operations are sensitive to policy decisions in certain countries, especially as regards energy.

The risk of a change in energy policy by some States cannot be excluded and could have a significant negative impact on the group's financial position. The debates on the future of nuclear power which have begun or lie ahead in various countries could evolve in a manner that is unfavorable to the group's operations, particularly under the influence of pressure groups or following events that give the public a negative image of nuclear power (e.g. accidents or incidents, violations of non-proliferation rules, diplomatic crises).

As a result of events in Japan in March 2011, the German government decided to phase out nuclear power while other European Union countries, including France, decided to perform stress tests on their facilities (see the ASN report of January 3, 2012 on the supplementary safety assessments of nuclear facilities).

More generally, events of this nature are likely to affect the positions of certain States vis-à-vis nuclear energy and could for example lead to:

- new thinking on the share of nuclear power and renewable energies in the energy mix;
- the early shutdown of certain nuclear power plants;
- the slowdown or freezing of investment in new nuclear construction projects;
- the reconsideration of programs to extend the operation of existing power plants;
- changes in policies for the end of the cycle, particularly as concerns spent fuel recycling; and/or
- lesser acceptance of nuclear energy by the public.

In addition, the group is present in a large number of countries, including countries marked by various degrees of political instability. Some of the group's mining operations, for example, are located in countries where political change could affect those operations. Political instability can lead to civil unrest, expropriation, nationalization, changes in legal or tax systems, monetary restrictions, and renegotiation or cancellation of currently valid contracts, leases, mining permits and other agreements. Acts of terrorism can also generate socio-political turmoil and impair the physical safety of the group's personnel and/or facilities.

Lastly, the group's products and services are sold on international markets characterized by intense competition on price, financial terms, product or service quality, and the capacity for innovation. In some of its businesses, the group has powerful competitors that are much larger than the group or have access to more resources. Moreover, these competitors may sometimes make decisions that are influenced by extraneous considerations other than profitability or have access to financing at advantageous terms.

In addition, deregulation of the electricity market has introduced volatility in the market price of our products and services, which is likely to cause a decline in investment in the nuclear sector.

3.12.2 Risks related to the Multi-Year Energy Program (*Programmation Pluriannuelle de l'Énergie* - PPE)

The multi-year energy program (PPE), which is revised every five years, is the management tool provided for in the French law on energy transition for green growth (LTECV). It sets, for each type of energy, the broad objectives of France's energy policy and its energy mix. The next PPE, which will be approved in late 2018, will cover the periods 2019-2023 and 2024-2028. In terms of diversifying the electricity mix towards renewable energies, the "energy transition act," passed in 2015, set an objective of reducing the share of power generation in France from nuclear sources to 50% by 2025. The deadlines associated with this objective are not known at this point.

A too-rapid transition could have serious consequences for all of the Orano group's business activities. Market prices could also be impacted by a decrease in the needs of EDF, which is a major player in the global nuclear industry.

These factors and their consequences can only be analyzed after a realistic transition schedule has been approved.

3.12.3 Risks related to the group's structure

The group was involved in a variety of acquisitions, strategic alliances and joint ventures with partner companies. Although the group believes that these strategic alliances and joint ventures will be beneficial, a certain level of risk is inherent in these transactions, particularly the risk of overvalued acquisitions; insufficient vendor warranties; underestimated operating costs and other costs; disagreements with partners (particularly in joint ventures); potential integration difficulties with personnel, operations, technologies or products; lack of performance on initial objectives; or third-party challenges to these strategic alliances or mergers and acquisitions, based on their impact on those parties' competitive positions.

In addition, the presence of minority shareholders in the share capital of some of the Company's subsidiaries could restrict the group's decision-making power.

4 BOARD OF DIRECTORS' CORPORATE GOVERNANCE REPORT

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report covers the composition of the Board of Directors of Orano SA (the "Company") and the conditions for the preparation and organization of its work.

It was approved by the Board of Directors at its meeting of March 28, 2018.

The work and reviews related to the preparation of this report were also submitted to the statutory auditors.

As an initial reminder, following the capital increase reserved for the French State and completed on July 26, 2017, new governance was set up by the General Meeting of July 27, 2017 and by the Board of Directors at its meeting on the same day.

Moreover, in view of its status as an issuer of debt instruments admitted for trading on a regulated market, the Board of Directors, on July 27, 2017, has decided, in accordance with Article L. 225-37-2 of the French Commercial Code, to voluntarily refer to the AFEP-MEDEF Corporate Governance Code. In accordance with the "apply or explain" principle set out in Article L. 225-37 of the French Commercial Code, the Company will explain hereunder the reasons for which it currently derogates from certain recommendations of the AFEP-MEDEF Code.

4.1 Preparation and organization of the Board of Director's work

4.1.1 Composition and functioning of the Board of Directors

4.1.1.1 General rules relating to the composition of the Board of Directors

The Company operates according to the "Monist" method, with a Board of Directors.

The General Meeting of July 27, 2017 decided to revise the Company's Articles of Association to take account of the acquisition of equity stakes by new strategic investors as part of the capital increase approved by the General Meeting of February 3, 2017 and to bring these into compliance with the provisions of Order No. 2014-948 of August 20, 2014 relating to the governance and share capital transactions of publicly owned companies (the Order).

In accordance with Article 14 of the Articles of Association:

- the Company is run by a Board of Directors composed of at least three and at most eighteen members including, where applicable, one representative of the French State and Directors appointed by the General Meeting of Shareholders following a proposal by the French State, pursuant to the Order and Decree No. 2014-949 of August 20, 2014, subject to statutory dispensations; and
- the Board of Directors is also composed of two directors representing the employees, appointed by the two trade unions with the highest number of votes in the first round of the elections preceding the date of appointment of the members of the Works Council or Works Committee or the sole Employee Delegation for the Company and its (direct and indirect) subsidiaries with their registered offices in France. These are not taken into account when determining the minimum and maximum number of directors.

As of the date of this report, the Board of Directors has 13 members:

- 11 members appointed by the General Meeting (including representatives of the French State and five directors who are individuals nominated by the French State); and
- two members representing the employees appointed by the trade unions.

The members of the Board of Directors, with the exception of those representing the employees, hold a term of office of four years, bearing in mind that the terms of office of the current members of the Board of Directors will end after the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2021.

Pursuant to Article 14 of the Company's Articles of Association, the terms of office of the members of the Board of Directors representing the employees will end either (i) upon expiry of their four-year terms of office, due at the close of the Ordinary General Meeting convened to rule upon the financial statements for the fiscal year ended and held during the year of expiry of said terms of office, or (ii) in the event of a breach in the employment contract, or (iii) on the date of their revocation in accordance with the conditions set out in the Articles of Association and with the statutory and regulatory provisions in force on the date of revocation, or (iv) in the event of a conflict as described in Article L. 225-30 of the French Commercial Code. Furthermore, if the Company is no longer subject to the obligation set out in Article L. 225-27-1 of the French Commercial Code, the terms of office of Directors representing the employees will end at the close of the meeting during which the Board of Directors notes the removal of this obligation.

Pursuant to Decree No. 83-1116 of December 21, 1983, as amended, and Decree No. 55–733 of May 26, 1955, the following persons also attend meetings of the Board of Directors in an advisory capacity: the Director General for Energy and Climate at the Ministry of

Energy, who serves as Government Commissioner, and the representative of the Head of the Atomic Energy Control Mission of the General Economic and Financial Control Department, who serves as a member of the Company's General Economic and Financial Control Board. These persons may also attend the meetings of committees of the Board of Directors (see 4.1.1.4 hereunder).

In accordance with Article 14 of the Articles of Association, the Board of Directors is also assisted in its duties by one or more observers who attend meetings in an advisory capacity (see Section 4.1.1.4 hereunder).

The Statutory Auditors are invited to attend meetings of the Board of Directors held to review the annual and half-year financial statements, and any other meetings at which their presence is deemed appropriate.

4.1.1.2 Composition of the Board of Directors

Following the capital increase reserved for the French State and completed on July 26, 2017, new governance was set up by the General Meeting and the Board of Directors of July 27, 2017.

As of the date of this report, the members of the Board of Directors are:

- Philippe Varin (Chairman);
- Philippe Knoche (Chief Executive Officer);
- The French State, represented by Bruno Vincent (Director);
- Reynold Prevost de la Boutetière (Director appointed upon a proposal by the French State);
- Marie-Astrid Ravon-Berenguer (Director appointed upon a proposal by the French State);
- Marie-Solange Tissier (Director appointed upon a proposal by the French State);
- Daniel Verwaerde (Director appointed upon a proposal by the French State;
- Maurice Gourdault-Montagne (Director appointed upon a proposal by the French State to replace Christian Masset with effect from October 31, 2017);
- Claude Imauven (Independent Director);
- Patrick Pelata (Independent Director, appointed by the General Meeting of February 26, 2018 following the completion of the capital increases reserved for Mitsubishi Heavy Industries Ltd. and Japan Nuclear Fuel Limited, his role as observer having ceased pursuant to the Board of Directors' decision of July 27, 2017);
- Marie-Hélène Sartorius (Independent Director);
- Catherine Deiana (Director representing the employees);
- Alexia Dravet (Director representing the employees).

Biographies and terms of office of the members of the Board of Directors

Philippe Varin - Chairman of the Board of Directors

Born August 8, 1952 in Reims (France), Philippe Varin is a graduate of the École Polytechnique and Mines ParisTech.

He joined the Péchiney group in 1978 as a researcher and subsequently held a number of management positions within the group (management control, strategy, project direction) before being appointed in 1995 as Director of the Rhenalu Division then Chief Executive Officer of the aluminum segment and member of the group's Executive Committee in 1999.

In 2003, he joined the Anglo-Dutch steel group Corus as Chief Executive Officer. He was Chairman of the European Confederation of Iron and Steel Industries (Eurofer) from 2006 to 2008.

He was appointed Chairman of the Executive Board of PSA Peugeot Citroën in June 2009 and left the group in June 2014.

In 2015, he joined the AREVA group as Chairman of the Board of Directors.

Philippe Varin is a Knight of the National Order of Merit, Officer of the National Order of the Legion of Honor and Commander of the British Empire.

He has chaired the Board of Directors of the Company since July 27, 2017.

<u>Other offices held</u>

- Director and Chairman of the Board of Directors of AREVA SA;
- Director of Saint-Gobain;
- Chairman of France Industrie;
- Vice-Chairman of Conseil National de l'industrie;
- Special envoy of the Minister of Foreign Affairs and International Development to ASEAN countries;
- Chairman of SASU PRM3C;
- Director of Positive Planet International;
- Chairman of the French Committee of the International Chamber of Commerce.

Other offices held during the past five years

- Director of EDF;
- Chairman of the Management Board of Peugeot SA;
- Chairman of the Board of Directors of Peugeot Citroën Automobiles SA;
- Director of Banque PSA Finance SA;
- Director of Faurecia SA;
- Director of PCMA Holding BV;
- Director of BG Group Plc.

Philippe Knoche - Chief Executive Officer

Born February 14, 1969 in Strasbourg, France, Mr. Philippe Knoche is an alumnus of École polytechnique and of École des mines.

He began his career in 1995 in Brussels as a case handler for the European Commission's Antidumping Department.

In 1998, he joined the Consortium de Réalisation as Assistant to the Chairman of the Supervisory Board.

He joined AREVA in 2000 as Director of Strategy. He became Executive Vice President of the Treatment Business Unit in 2004 and, in 2006, Director of the Olkiluoto 3 project. In 2010, he took the helm of the Reactors & Services Business Group as Senior Executive Vice President and became a member of the group's Executive Committee.

In July 2011, Mr. Knoche was appointed member of the Management Board and Deputy CEO in charge of nuclear business operations.

In January 2015, he became a member of the Board of Directors and Chief Executive Officer of AREVA.

He has been the Company's Chief Executive Officer since July 27, 2017.

Other offices held

- Chairman & CEO of Orano Cycle;
- Chairman of the Board of Directors of Orano Mining;
- Permanent Member of the Strategy Committee of SET Holding.

Other offices held during the past five years

- Chief Executive Officer and Director of AREVA SA (expired July 27, 2017);
- Chairman of the Supervisory Board of AREVA GmbH;
- Chairman of the Board of Canberra Industries Inc;
- Chairman of AREVA NP SAS;
- Permanent Representative of AREVA SA on the Board of Directors of AREVA TA;
- Chairman of the Board of Directors of AREVA Inc;
- Member of the Executive Board of AREVA.

The French State, represented by Bruno Vincent - Director

Born March 6, 1982, Bruno Vincent is a graduate of the École Polytechnique and École nationale des ponts et chaussées.

Between 2005 and 2008, he worked at the French Embassy in the United States and later at The World Bank in Washington DC, where he was initially a Research Assistant before becoming Consultant for the Economic Policy and Debt Department.

After heading the administrative supervision of the French Development Agency at the French Treasury from 2008 to 2010, Mr. Bruno Vincent joined Agence des Participations de l'Etat (APE) in 2010 as a *Chargé d'Affaires* overseeing RATP and the ports sector.

In 2012, he worked at the Treasury Department where he was involved in negotiating the arrangements for an instrument to recapitalize eurozone banks.

In 201, he was appointed Assistant Head of Equity Investments for the transport sector at APE. In this role, he was responsible for managing a portfolio of companies in the transport sector (SNCF, RATP, Air France KLM, ADP, regional airports, ports, SNCM). He was also project manager for the privatization of the Nice and Lyon airport companies.

Since 2017, he has been Head of Equity Investments for the energy sector at APE.

He has represented the French State on the Board of Directors of the Company since July 27, 2017.

Other offices held

- Director of AREVA SA (representing the French State);
- Director of ERAMET SA.

Other offices held during the past five years

- Director of the Port of Marseille;
- Director of AREVA SA (representing the French State);
- Director of SNCF *Réseau* (expired August 31, 2017);
- Director of Nice Airport;
- Director of Lyon Airport;
- Director of the Imprimerie Nationale;
- Director of the Monnaie de Paris;
- Director of the Port of La Rochelle.

Reynold Prevost de la Boutetière - Director

Born March 22, 1971 in Paris (France), Reynold Prevost de la Boutetière is a graduate of the École Polytechnique and École nationale supérieure de techniques avancées. He also obtained a Diploma of Advanced Studies in Economics from the University of Nanterre.

After starting his career as a Telecommunications Engineer in the Shipbuilding Division, Mr. Reynold Prevost de la Boutetière held a number of positions at the French Treasury before serving in various ministerial offices.

In 2009, he was in charge of bilateral cooperation for the Strategy Department of the Direction générale de l'armement (French Government Defense procurement and technology agency) before moving in summer 2014 to the "Electronic, mechanical and naval" sub-division of the industrial business and economic intelligence service of the same agency.

He has been a member of the tender review committee for the Société du Grand Paris since 2012 and was a Director of AREVA Mines and AREVA NC from 2015 to 2017.

Mr. Prevost de la Boutetière is a Knight of the Legion of Honor and of the National Order of Merit.

He has been a member of the Board of Directors of the Company since July 27, 2017.

Other offices held

- Director of SNPE;
- Director of TechnicAtome.

Other offices held during the past five years

- Director of TSA (expired January 29, 2018);
- Director of AREVA Mines (expired May 30, 2017);
- Director of AREVA NC (expired May 24, 2017);
- Director of GIAT Industries (expired March 10, 2017).

Marie-Astrid Ravon-Berenguer - Director

Born April 25, 1977 in Paris (France), Mrs. Marie-Astrid Ravon-Berenguer is a graduate of École Polytechnique, ENSAE ParisTech and Institut d'études politiques de Paris (IEP).

She began her career at the French Budget Ministry as Assistant to the Head of the Employment and Vocational Training Bureau, after which she became Assistant to the Head of Budgetary Policy. Ms. Ravon-Berenguer then went on to become Head of the Health Expenditure and Social Security Accounts Bureau, and Assistant Director of the sub-division in charge of the Ministries of Culture and Communication, Youth and Sports, Justice, Overseas Territories and the Finance Ministers.

In 2012, she joined the Economic Department of the French Embassy in Spain as a Project Manager for the Head of Department.

In 2014, she became a Public Inspector of Finance.

Since 2016, Marie-Astrid Ravon-Berenguer has been the Chief Financial Officer and Director of Programs for the Commissariat *à* l'Énergie Atomique (CEA - French Alternative Energies and Atomic Energy Commission).

She has been a member of the Board of Directors of the Company since July 27, 2017.

Other offices held

- Director of CEA *Investissement*.

Other offices held during the past five years

- Director of AREVA Mines (expired May 30, 2017);
- Director of AREVA NC (expired May 24, 2017).
-

Marie-Solange Tissier - Director

Born April 6, 1955 in the 15th arrondissement of Paris (France), Mrs. Marie-Solange Tissier is a graduate of École Polytechnique and Mines ParisTech.

She was Head of the Environment Division within the Interdepartmental Directorate for Lorraine Industry from 1979 to 1982. In 1982, she moved to the General Council of Mines as Deputy Head of Service, and in 1984 she joined the office of the Secretary of State for Energy as a Technical Adviser. In 1986, Ms. Tissier was appointed Head of Nuclear Service at the General Directorate for Energy and Raw Materials. In 1988, she joined the Ministry for Industry and Regional Development as a Technical Adviser.

From 1989 to 2017, Marie-Solange Tissier was Head of Department at the General Council of Mines, which in 2009 became the General Council of Economy, Industry, Energy and Technology within the French Ministry for the Economy and Finance. During this period she has also held the position of Deputy Director of Mines ParisTech.

In May 2017, Ms. Tissier became Chairperson of the Regulation and Resources Department of the General Council of Economy, Industry, Energy and Technology within the French Ministry for the Economy and Finance.

She has been a member of the Board of Directors of the Company since July 27, 2017.

Other offices held

- Director of AREVA SA;
- Director of IFP Energies Nouvelles.

Other offices held during the past five years

- Member of the Supervisory Board of RTE (expired April 1, 2017).

Daniel Verwaerde - Director

Born August 17, 1954 in Sedan (France), Daniel Verwaerde is an engineer graduated from École Centrale *de Paris* and an auditor of the 32nd session of the Centre des Hautes Études de l'Armement (CHEAr).

After joining the Commissariat *à* l'Énergie Atomique (CEA) in 1977 as an Engineer Mathematician, he worked until 1996 on the development of digital methods and important weapon simulation software. In the capacity, he directed the Applied Mathematics Department responsible for them at the CEA from 1991 to 1996.

In 1996, following France's signature of the Comprehensive Nuclear-Test-Ban Treaty, Mr. Verwaerde became responsible for establishing the CEA's Simulation Program. This program is focused on three main areas: digital simulation, theoretical physics and experimental physics, notably using the Megajoule Laser constructed near Bordeaux.

In July 2000, he was appointed Director of the CEA DAM/Ile de France Center in Bruyères-le-Châtel, home of the teams engaged in weapons design, numerical simulation and monitoring of non-proliferation treaties and efforts. In 2002, he launched the Ter@tec project aimed at promoting numerical simulation in France and developing the European IT industry.

In January 2004, he became Director of Nuclear Weapons for the CEA's Military Applications Division. He is in charge of the French Nuclear Weapons Projects as part of the Simulation Program.

On April 3, 2007, he was appointed Director of Military Applications. In addition to weapons and simulation programs, he was in charge of nuclear propulsion programs, strategic materials supply, and nuclear non-proliferation activities entrusted to the CEA.

Daniel Verwaerde has been teaching at the École Centrale de Paris since 1981, and in 1991 he was appointed a Professor of Mathematics. He teaches digital analysis at this institution.

Mr. Daniel Verwaerde is an Officer of the Legion of Honor and a Knight of the National Order of Merit.

He was appointed Chairman of the French Atomic Energy and Alternative Energy Commission (CEA) by decree dated January 29, 2015 and Chairman of the Board of Directors on April 3, 2015.

Mr. Daniel Verwaerde joined the AREVA group in 2008.

He has been a member of the Board of Directors of the Company since July 27, 2017.

Other offices held

- Director of Framatome;
- Managing Director of SCI Richard;
- Managing Director of SCI Guillaume;
- Managing Director of SCI Mathilde.

Other offices held during the past five years

- Director of AREVA SA (expired July 27, 2017);
- Director of AREVA NC (expired May 24, 2017);
- Director of SODERN.

Maurice Gourdault-Montagne - Director

Born November 16, 1953 in Paris (France), Maurice Gourdault-Montagne is a graduate of the *Institut d'études politiques* (IEP) in Paris, the *Institut national des langues et civilisations orientales* and holds a Masters in Law.

He has held various diplomatic positions in India (1981-1983), Germany (1988-1991) and at the headquarters of the Office of the Minister of Foreign Affairs (1986-1988), after which he became Deputy Spokesperson at Quai d'Orsay (1991-1993).

In 1993, he was appointed Deputy Director of the Office of the Minister of Foreign Affairs (Alain Juppé) and he later became Director of the Office of the Prime Minister from 1995 to 1997.

He was French Ambassador to Tokyo in 1998, before being appointed Diplomatic Adviser and Sherpa to the President of the French Republic in 2002.

Between 2007 and 2017, he was successively the French Ambassador to the United Kingdom, Germany and China.

He is currently the Secretary General of the Ministry of Europe and Foreign Affairs.

He has been a member of the Board of Directors of the Company since October 31, 2017.

Other offices held

- Director of EDF (since August 1, 2017);
- Director of the École nationale d'administration;
- Director of the Institut français;
- Director of the Agence nationale des titres sécurisés (national agency for secure identity documents);
- Director of the Commission de récolement des dépôts d'œuvres d'art (commission for verification of registered works of art);
- Director of France Médias Monde;
- Director of the Fondation d'entreprise Renault;
- Member of the Atomic Energy Committee.

Other offices held during the past five years

- None.

Claude Imauven - Independent Director

Born September 6, 1957 in Marseille (France), Claude Imauven is a graduate of the École Polytechnique and Engineer of the Corps des Mines.

He began his career in 1983 at the French Ministry of Industry, where he held several management positions in public administration, most notably as a member of ministerial staffs (Trade and Industry).

His career at Saint-Gobain began in 1993 with the Flat Glass Division, where he was Vice President of Industrial Policy and subsequently Vice President of Industry and Finance. In 1996, he was appointed General Delegate for Spain, Portugal and Morocco. Returning to France in 1999, he joined the Pipe branch as Deputy CEO of Pont-à-Mousson SA, and then in 2001 he took over the reins of this company as CEO and Director of the Pipe branch.

Between April 2004 and the end of 2015, Claude Imauven was Deputy CEO of Saint-Gobain, leading the Construction Products Division.

Since January 1, 2016, Claude Imauven has held the position of CEO at Saint-Gobain.

Mr. Imauven is a Knight of the Legion of Honor and Officer of the National Order of Merit.

He has been a member of the Board of Directors of the Company since July 27, 2017.

Other offices held

- Director of Artelia Holding SAS;
- Chairman of the Board of Directors of the Institut Mines-Télécom (EPSCT).

Other offices held during the past five years

- Director of AREVA SA (expired July 27, 2017);
- Director of Banque CIC Est;
- Chairman of Saint-Gobain Matériaux de Construction SAS (Saint-Gobain);
- Chairman of Saint-Gobain Matériaux Produits pour la Construction SAS (Saint Gobain);
- Chairman of the Board of Directors of Saint-Gobain PAM (Saint Gobain);
- Chairman of the Board of Directors of Saint-Gobain ISOVER (Saint Gobain);
- Chairman of the Supervisory Board of Saint-Gobain WEBER (Saint-Gobain).

Mr. Patrick Pelata – Independent director

Born August 24, 1955 in Pujols (France), Mr. Patrick Pelata is a graduate of École Polytechnique and École des Ponts ParisTech. He also has a PhD in socio-economics from École des Hautes Etudes en Sciences Sociales.

He joined Groupe Renault in 1984, holding various positions in manufacturing and engineering, before being appointed Head of Vehicle Engineering in 1998. In 1999, he transferred to Nissan in Japan, where he served as Executive Vice President. In 2005, he returned to Renault as EVP Product Planning and Programs, before becoming Renault's Chief Operating Officer in 2008.

In 2012, he was appointed Executive Vice-Chairman and Chief Automotive Officer of Salesforce.

In 2015, Mr. Patrick Pelata founded the company Meta Consulting LLC, of which he is Chairman.

He is a Knight of the Legion of Honor.

Mr. Patrick Pelata served as censor of the Company from July 27, 2017, before being appointed to the Board of Directors on February 26, 2018, when Japan Nuclear Fuel Limited and Mitsubishi Heavy Industries Ltd. became shareholders of the Company.

<u>Other offices held</u>

- Chairman of Meta Consulting LLC (United States);
- Director of Safran.

<u>Other offices held during the past five years</u>

- Chairman of the Board of Directors of *Ecole Ponts Paris-Tech*.

Marie-Hélène Sartorius - Independent Director

Born January 23, 1957 in Lyon (France), Marie-Hélène Sartorius is a graduate of the École Polytechnique and École nationale des ponts et chaussées.

She began her career with Banque Paribas, which later became BNP Paribas, where she held a number of different functions in management control and in the financing bank before being appointed to head up specialized financing operations for Europe (LBO, finance project).

In 1995, she joined the Market Activities Department of the Paribas group in London as Head of Risk and in 1999, she launched a new credit derivatives trading business for the group.

In 2001, she joined PricewaterhouseCoopers (PwC) as an associate in charge of consulting activities in France, where she was an advisor to major international groups until 2016. She worked mainly with large financial market investment banks and players in the energy sector in the field of risk management, performance optimization and major transformation programs.

On an international level, Marie-Hélène Sartorius has been a member of PwC's EMEA Financial Services Leadership Team (EMEA FSLT) and Global Financial Services Advisory Leadership Team (GFSALT).

Mrs. Marie-Hélène Sartorius joined the AREVA group in 2016 as a director.

She has been a member of the Board of Directors of the Company since July 27, 2017.

<u>Other offices held</u>

- Director of BNP Paribas Cardif SA;
- Director of Barclays Banque SA.

<u>Other offices held during the past five years</u>

- Member of the Supervisory Board of ANF Immobilier (expired October 23, 2017);
- Director of AREVA SA (expired July 27, 2017).

Catherine Deiana - Director representing the employees

Born December 10, 1968 in Dieulefit (France), Catherine Deiana has a degree in Documentation Studies.

She joined the AREVA group in 2001.

Currently in charge of reprography at the Tricastin site, Ms. DEIANA was appointed by her trade union as Director representing the employees.

She has been a member of the Board of Directors of the Company since July 27, 2017.

<u>Other offices held</u>

- None.

Other offices held during the past five years

- Trade union representative on the AREVA NC Tricastin Health, Safety and Working Conditions Committee (CHSCT) (expired July 26, 2017).

Alexia Dravet - Director representing the employees

Born April 13, 1987 in Amiens (France), Alexia Dravet has a degree in Safety, Environmental and Quality Studies.

She joined the AREVA group in 2008.

Currently responsible for risk assessment and management within the 2SE environment unit, Mrs. Alexia Dravet was appointed by her trade union as Director representing the employees.

She has been a member of the Board of Directors of the Company since July 27, 2017.

Other offices held

- None.

Other offices held during the past five years

- Director representing the employees of AREVA NC (expired May 24, 2017).

4.1.1.3 Independence of the members of the Board of Directors

In the absence of a Compensation and Nominating Committee within the Company until its governance was restructured on July 27, 2017, the Compensation and Nominating Committee of AREVA SA voted on July 26, 2017 on matters pertaining to the restructuring of the Company's governance.

As of the date of this report, the Board of Directors has four independent (or deemed independent) directors. The proportion of at least one third independent members recommended by the AFEP-MEDEF Code is thus met, it being noted that the directors representing the employees are not counted in establishing this proportion.

Pursuant to these criteria, and based on a recommendation of the Compensation and Nominating Committee of AREVA SA, the Board of Directors, at its meeting of July 27, 2017, considered the following members of the Board of Directors to be independent:

- Marie-Hélène Sartorius;
- Mr. Claude Imauven; and
- Mr. Philippe Varin.

In addition, at its meeting on February 26, 2018, the Board of Directors deemed Mr. Patrick Pelata to be independent upon a recommendation from the Compensation and Nominating Committee. Patrick Pelata was appointed by the General Meeting of the same day following the completion of the capital increases reserved for Mitsubishi Heavy Industries Ltd. and Japan Nuclear Fuel Limited.

The Board of Directors examined the business relationships that may exist between the Company and the companies in which these directors hold terms of office. The Board of Directors noted that none of the independent members have a significant business relationship with the Company. The primary basis for this assessment was the insignificant share of revenue generated by existing business relationships, if any, compared to the respective revenue of the Company and the companies in which the members concerned hold a position.

4.1.1.4 Permanent guests with an advisory role

Economic and Financial Comptroller General

Mr. Bruno Rossi, appointed Head of the Atomic Energy Control Mission of the General Economic and Financial Control Department by a decision dated June 24, 2008 from the Ministry for the Economy, Industry and Employment, is a member of the Company's general economic and financial control body, in application of Decree No. 83-1116 of December 21, 1983 as amended. Mr. Rossi is represented by Mr. Christian Bodin, Head of the Control Mission and graduate of the École nationale d'administration, who is responsible for the Company's economic and financial control and as such, attends the meetings of the Board of Directors and of its specialized committees.

Government Commissioner

Mr. Laurent Michel, appointed Director General for Energy and Climate by a decree dated December 19, 2012, holds the position of Government Commissioner for the Company, in application of Decree No. 83-1116 of December 21, 1983 as amended by a decree dated July 25, 2017. In that capacity, he attends the meetings of the Board of Directors and of its specialized committees.

Pursuant to Article 3 of Decree No. 83-1116 of December 21, 1983 as amended and relative to the Company, the deliberations of the Board of Directors shall become fully enforceable unless the Government Commissioner or other authority responsible for economic and financial control opposes these within five days of either the meeting of the Board of Directors if they were present thereat, or following receipt of the minutes of the meeting.

Such opposition, of which the Minister of Economy and the Minister of Energy are immediately informed by the author of same, ceases to have effect if, within a limit of fifteen days, it has not been confirmed by one of those ministers.

Censors

Furthermore, pursuant to Article 14 of the Articles of Association, the Board of Directors on July 27, 2017 appointed the following censors:

- Mr. Pascal Faure for a period of one year, renewable annually; and
- Mr. Patrick Pelata for a period of one year, upon proposal by Mitsubishi Heavy Industries Ltd. and Japan Nuclear Fuel Limited, under the terms of the shareholders' agreement between the Company, AREVA SA, the French State, MHI and JNFL dated March 13, 2017. Mr. Pelata's role as censor ended following the completion of the capital increases reserved for the Japanese investors on February 26, 2018, in accordance with the Board's decision of July 27, 2017. The General Meeting of the same day decided to appoint him director.

The role of censor notably involves monitoring the strict application of the Articles of Association and the provision of advice and information to the Board of Directors. The censor may be a natural person or legal entity. The censor is invited to attend all meetings of the Board of Directors and participate in deliberations in an advisory capacity. The censor is provided with the same documents and information as the members of the Board of Directors and has the same right of access to information as the Directors.

Secretary of the Board

Mrs. Anne-Sophie Bodin serves as Secretary of the Board of Directors.

4.1.2 Responsibilities and functioning of the Board of Directors

4.1.2.1 Missions

The responsibilities of the Board of Directors and the planning and organization of its work are defined within the framework of legislative and regulatory provisions governing limited liability companies, in the Company's Articles of Association and in the rules of procedure of the Board of Directors.

The Board of Directors determines the direction of the Company's activities and oversees its implementation. Except for the powers expressly assigned to the General Meetings of Shareholders, and within the limits of the Company's purpose, it may take up any matter concerning the Company's operations and, through its resolutions, rules on matters concerning it.

As part of its responsibilities, and without this list being exhaustive, the Board of Directors shall:

- determine the strategic direction of the Company and the group, taking advice from the Strategy and Investments Committee;
- appoint corporate officers responsible for leading the Company within the context of this strategy and set the compensation thereof, based on proposals from the Compensation and Nominating Committee;
- be kept informed of all significant events concerning the Company and any significant transactions falling outside of the Company's announced strategy;
- at any time of the year, carries out checks and controls as it deems necessary and has the documents it considers useful to the accomplishment of its mission sent to it;
- set the principles of the Company's policy for end-of-lifecycle obligations, taking advice from the Cleanup and Dismantling Fund Monitoring Committee;
- define the Company's financial communication policy and, where applicable, monitor the quality of the information provided to the shareholders and the markets, particularly in the financial statements and at the time of major transactions;
- be kept updated by the Audit and Ethics Committee on the Company's financial position, cash-flow situation and commitments. It must also be kept informed in good time of the Company's liquidity position and take, where appropriate, decisions relating to its financing and borrowing;
- convene and set the agenda for General Meetings;
- prepare the annual financial statements and annual management report;
- approve the Board of Directors' report on corporate governance as defined in Article L. 225-37 of the French Commercial Code;
- prepare the Company's annual budget and multi-year plan;
- deliberate annually on the Company's policy on gender equality and equal pay;
- where appropriate, authorize the Chief Executive Officer to grant sureties, endorsements or guarantees on behalf of the Company;
- decide whether to issue bonds and/or securities as described in Article L. 228-92, paragraph 3, of the French Commercial Code, in accordance with the conditions set out in Article L. 228-40 of said Code;
- where appropriate, authorize the Chief Executive Officer to carry out the transactions listed in 4.4.2.2 hereunder.

4.1.2.2 Meetings

The Board of Directors meets as often as the interests of the Company require and at least four times per year. The directors have the possibility of being represented by another director at meetings of the Board of Directors. Each Director may only represent one of his or her colleagues at any one meeting of the Board of Directors.

Meetings of the Board of Directors are chaired by the Chairman, who leads the discussions or, in the event of his absence, by the Vice Chairman or, in the absence of the latter, by a member of the Board of Directors designated at the beginning of the meeting by a simple majority of the members present.

Directors who participate in a meeting of the Board of Directors via videoconferencing or other methods of telecommunication that allow their identity to be known and assure the effective participation thereof, shall be deemed present for the calculation of quorum and majority. The Secretary of the Board of Directors shall sign the register in lieu and on behalf of these Directors.

This process may only be used for the preparation of the annual financial statements, the consolidated financial statements and related reports.

Furthermore, the use of videoconferencing or other methods of telecommunication may be excluded by the Chairman of the Board of Directors if the topics being discussed are of a sensitive nature or on the agenda of the meeting.

The group's employees may also be invited based on their contribution to the items on the meeting's agenda. The presence of external third parties must be authorized by the Chairman of the Board of Directors.

4.1.2.3 Information and training of directors

Directors shall receive, at least five calendar days prior to the meeting, the agenda of the meeting of the Board of Directors and any information to be discussed, except in cases of emergency or exceptional circumstance. They shall be kept informed at all times between meetings of the Board of Directors and, where necessary, must be able, if they so wish, to meet with the key executives of the Company after giving prior notice thereof to the Chairman of the Board of Directors and the Chief Executive Officer.

Each Director may benefit, if he/she deems it necessary, from training on specific details of the Company, its businesses and sectors of activity, as well as on the role of Director.

4.1.2.4 Business ethics of directors

The director shall perform his or her duties with independence, integrity, uprightness and professionalism.

The rules of procedure of the Board of Directors of the Company sets out the duties of the Directors and in particular:

- respect for laws, the Articles of Association and the corporate interest;
- professionalism and duty of expression;
- the strict confidentiality of the work of the Board of Directors and of its committees;
- the application of rules related to multiple office-holding;
- the prevention of conflicts of interest;
- compliance with obligations related to the holding of financial instruments issued by the Company and the holding of inside information.

The Company refers and adheres to the principles of the AREVA Code of Ethics, which are applied mutatis mutandi.

4.1.2.5 Rules applicable to conflicts of interest

The rules applicable to the members of the Board of Directors with regard to preventing conflicts of interest appear in Article 4.6 of the rules of procedure of the Board of Directors, which notably states that:

- the Director shall at all times preserve his/her independence of judgment, decision-making and action;
- the Director shall strive to avoid any conflict that may exist between his/her moral and material interests and those of the Company;
- the Director shall inform the Board of any conflict of interest in which he/she may be directly or indirectly involved;
- in the event that a situation or risk of conflict of interest should arise, the Director concerned must, upon receipt of the agenda, inform the Chairman of the Board of Directors and, where applicable, the chairperson of the committee concerned and shall abstain from taking part in any discussions or voting on the corresponding deliberation;
- the director, or a permanent representative if the director is a legal entity, may not participate personally in companies or activities in competition with the group without first informing the Board of Directors and receiving its approval;
- a Director that considers him/herself no longer in a position to fulfill their role on the Board of Directors, or any committees of which he/she is a member, shall resign.

4.1.3 Work of the Board of Directors

During the year, the work of the Board of Directors covered both the restructuring of the Company and various recurring matters such as the review of the financial statements and the Statutory Auditors' comments on those financial statements, the annual activity report and the Board of Directors' report on corporate governance for the period January 1 to August 31, 2017.

The Board of Directors notably reviewed and/or deliberated upon the following points:

- capital increases reserved for Mitsubishi Heavy Industries and Japan Nuclear Fuel Limited;
- annual budget for 2018;
- company's equal opportunity, equal pay and gender diversity policy.

During the period from September 1, 2017 to December 31, 2017, the Board of Directors met twice with an average attendance rate of 91.66%.

4.1.4 Rules applicable to evaluations

Article 1.2 of the rules of procedure of the Board of Directors provides that, at least once a year, the Board of Directors shall dedicate one item on its agenda to discussing the assessment of its composition, its functioning and its organization, as well as those of its committees, to ensure that important issues are properly addressed and discussed. In addition, at least once every three years, it undertakes or commissions a formal evaluation of its work. Every year, it informs the Shareholders of the evaluations carried out and any follow-up actions.

Once a year, the Board of Directors meets to evaluate the performance of its Chairman and of the Chief Executive Officer, neither of whom attend the meeting.

On February 5, 2018, the Secretary of the Board of Directors forwarded the evaluation questionnaire drawn up by the Compensation and Nominating Committee on December 8, 2017. The questionnaire takes into account the recent change in governance effected on July 27, 2017.

The results were examined by said committee on February 12, 2018.

It emerged that the directors were satisfied with the composition, functioning and organization of the Board of Directors and the committees.

Areas for improvement included more information on current events and key issues for the Company between Board meetings, as well as the arrangement of site visits.

Given their recent appointment, the performance of the Chairman of the Board of Directors and of the Chief Executive Officer have not been evaluated at this time.

4.2 Committees set up by the Board of Directors

4.2.1 Description of the committees

The Board of Directors may create committees within it and determines their composition and remit.

The role of these committees is to collect appropriate additional information and provide it to the Board of Directors and to facilitate decision-making by making recommendations as necessary. They have no authority as such and perform their duties under the authority of the Board of Directors.

The composition and functioning of the committees form part of the framework defined by the statutory and regulatory provisions applicable to limited liability companies, the Company's Articles of Association and the rules of procedure of the Board of Directors.

On July 27, 2017, the Board of Directors created four permanent committees:

- an Audit and Ethics Committee;
- a Strategy and Investments Committee;
- a Compensation and Nominating Committee; and
- an End-of-Lifecycle Obligations Monitoring Committee.

Committee members may not claim compensation in this capacity, with the exception of attendance fees that may be allocated to them by the Board of Directors.

The Chief Executive Officer and if applicable the Chief Operating Officer(s) attend committee meetings at the request of the committee chairman. This also applies to the Chairman of the Board of Directors, where he or she is not a member of the committee in question.

Group employees may also be invited, subject to the approval of the chairperson of the committee, to attend committee meetings based on their contribution to the items on the agenda of the meeting.

The committees may seek external technical advice on topics that fall within their remit, subject to approval from the Chairman of the Board of Directors and with the understanding that it will share this information with the Board of Directors. The committee must ensure the expertise and independence of the external experts on which it calls.

The terms of committee members coincide with their terms as members of the Board of Directors. He or she may be renewed at the same time as the latter. Exceptionally, the Board of Director may dismiss a committee member or its chairman at any time.

The chairman of each committee is appointed by the Board of Directors on a recommendation from the Compensation and Nominating Committee. If the chairman is unable to attend, the committee's other members designate a chairman of the sitting.

The chairperson of each committee shall appoint a secretary. Minutes of the committee meetings are the responsibility of the chairperson of each committee, who shall send a copy thereof to the Board of Directors.

The members of the committee may be convened by any means (mail, fax, email, etc.), or even verbally. Except for emergencies or under exceptional circumstances, the meeting documents are sent to the committee members at least five calendar days before the date of the meeting.

A committee member may not arrange to be represented at the meeting.

4.2.1.1 Audit and Ethics Committee

As at the date hereof, the Audit and Ethics Committee has five members:

- Marie-Hélène Sartorius (Chairperson and Independent Director);
- Alexia Dravet (Director representing the employees);
- Claude Imauven (Independent Director);
- Marie-Solange Tissier; and
- Bruno Vincent (representing the French State, Director).

The Audit and Ethics Committee is responsible for issues relating to the preparation and control of accounting and financial information, in particular the process for the preparation of financial information, the effectiveness of the internal control and risk management systems, the statutory audit of annual and consolidated financial statements by the Statutory Auditors and the consistency of accounting methods, the procedure for the selection of the Statutory Auditors and their independence, the approval of additional services provided by the Statutory Auditors, the independence of the Statutory Auditor, the proper assessment of mining resources and reserves, the monitoring of the execution of major projects and risk mapping.

To accomplish its mission, the committee hears the Head of the Internal Audit Department and gives its opinion on the department's organization. The committee receives internal audit reports or a periodic summary of those reports. The committee must also hear the statutory auditors, the Chief Financial Officer and financial directors, and the directors of Accounting and Cash Management.

The committee examines the list of consolidated companies and, if appropriate, the reasons for which companies are or are not included on it.

The Audit and Ethics Committee establishes an annual schedule of work in fulfillment of its duties. Financial statements must be provided to the committee for review sufficiently in advance (at least three calendar days before their review by the Board of Directors). The examination of the financial statements by the Audit and Ethics Committee must be accompanied by a presentation by the statutory auditors highlighting key findings of the statutory audit (in particular audit adjustments and significant weaknesses in internal controls identified during their work), and the accounting options selected. It must also be accompanied by a presentation by the Chief Financial Officer describing the company's risk exposure and significant off-balance-sheet commitments.

The Audit and Ethics Committee must, at least twice per year, address the ethical aspects that concern the Company and, in accordance with the following recommendations:

- ensure that the Company and its relations with third parties are compliant with ethical standards and that the group complies with international best practices in relation to ethics;
- examine the standards and procedures put in place by the group both for the Company and its (directly or indirectly controlled) subsidiaries in France and abroad, and in particular those governing the use of economic intelligence studies and the group's Charter of Values and any updates thereto, ensuring the correct distribution and application thereof.

With regard to foreign subsidiaries, the committee shall take into consideration the legal and regulatory framework of the countries in which they operate.

During the period from September 1, 2017 to December 31, 2017, the Audit and Ethics Committee met five times with an average attendance rate of 88%.

It examined matters that specifically fall within its remit, including the half-year and annual financial statements, the two reporting dates, the business risk model, the review of the conclusions of the Internal Audit Department and Statutory Auditors on internal controls, the review of major customer investment projects, the summary of internal audits, and cybersecurity.

4.2.1.2 Strategy and Investments Committee

As of the date of this report, the Strategy and Investments Committee has six members:

- Philippe Varin (Chairman);
- Alexia Deiana (Director representing the employees);
- Maurice Gourdault-Montagne[1];
- Claude Imauven (Independent Director);
- Daniel Verwaerde; and
- Bruno Vincent (representing the French State, Director).

The Strategy and Investments Committee is responsible for analyzing the main strategic directions in terms of the group's development and for making any major strategic decisions proposed by the Chief Executive Officer. It examines the implementation of the Company's strategy both at company level and within its subsidiaries.

The committee is tasked with examining proposed transactions subject to the prior approval of the Board of Directors[2].

During the period from September 1, 2017 to December 31, 2017, the Strategy and Investments Committee met twice with an average attendance rate of 63%.

It mainly examined the following matters: the Strategic Action Plan, the partnership agreement with EDF, the recycling plant in China, and the investment project in South Tortkuduk.

The Strategy and Investments Committee may meet as a select committee at the initiative of its chairman. The role of this restricted committee, known as the Business Proposals Committee, is to research the main business proposals to be submitted to the Board of Directors for approval.

4.2.1.3 Compensation and Nominating Committee

As of the date of this report, the Compensation and Nominating Committee has four members:

- Marie-Solange Tissier (Chairperson);
- Catherine Deiana (Director representing the employees);
- Marie-Hélène Sartorius (Independent Director); and
- Bruno Vincent (representing the French State, Director).

[1] *Appointed on October 31, 2017 to replace Mr. Christian Masset following the latter's resignation effective August 1, 2017.*

[2] *See Section 4.4.2.2 hereunder.*

The main role of the Compensation and Nominating Committee is to recommend to the Board of Directors potential persons to be appointed as corporate officers, to discuss the independent status of each Director, to put forward to the Board of Directors recommendations and proposals concerning compensation, pension and insurance schemes, supplemental pensions, benefits in kind, the various pecuniary rights of the Company's executive officers and in particular, where applicable, severance payments and retirement benefits, to review the allocation procedure for attendance fees payable to the members of the Board of Directors, to review the compensation policy for key executives who are not corporate officers, to review the objectives, conditions and results of its policy on gender representation, nationalities and diversity of skills with regard to its members and to prepare and monitor the implementation of the corporate governance rules applicable to the Company.

The Company's executive officers participate, if possible, in the committee meeting dedicated to reviewing the compensation policy for key executives who are not company officers.

During the period from September 1, 2017 to December 31, 2017, the Compensation and Nominating Committee met once with an attendance rate of 75%.

It mainly examined the following matters: the officers' insurance policy, the 2018 targets for the Chief Executive Officer, the Company's equal opportunity, equal pay and gender diversity policy, and the succession plan for officers.

4.2.1.4 End-of-lifecycle Obligations Monitoring Committee

As of the date of this report, the End-of-Lifecycle Obligations Monitoring Committee has four members:

- Claude Imauven (Chairman and Independent Director);
- Alexia Dravet (Director representing the employees);
- Daniel Verwaerde; and
- Bruno Vincent (representing the French State, Director).

The role of this Committee is to assist the monitoring of the portfolio of earmarked assets created by company subsidiaries to cover their future cleanup and dismantling expenses.

To this end, the committee, upon presentation by the Company of relevant documents including a Management Charter, shall assess, in accordance with a multi-year schedule, the future cleanup and dismantling expenses of the group companies concerned, review the terms and conditions for the constitution, functioning and control of funds earmarked to cover said expenses within these companies and the management policy applicable to the corresponding financial assets. These points form the basis of opinions and recommendations made by the committee to the Board of Directors, summarized in an annual document provided thereto with a view to preparing its report to the General Meeting.

The Committee may work together with the financial advice institutions chosen by the companies responsible for the management of the funds, subject to Committee approval.

During the period from September 1, 2017 to December 31, 2017, the End-of-Lifecycle Obligations Monitoring Committee met twice with an average attendance rate of 100%.

It mainly examined the following matters: the performance plan of the end-of-lifecycle obligations, the review of current end-of-lifecycle projects, the change in end-of-lifecycle estimates and liabilities at the end of 2017, asset management and the coverage ratio at the end of 2017, and the proposed changes to regulations on end-of-lifecycle obligations.

4.2.2 Composition of the committees

The table below summarizes the existing committees of the Company and the composition thereof.

First and last name	Audit and Ethics Committee	Compensation and Nominating Committee	Strategy and Investments Committee	Major Commercial Proposals Committee (Select Committee)	End-of-Lifecycle Obligations Monitoring Committee
Philippe Varin			X Chairman	X Chairman	
Philippe Knoche					
Maurice Gourdault-Montagne			X		
Claude Imauven	X		X	X	X Chairman
Patrick Pelata					
Reynold Prevost de la Boutetière					
Marie-Astrid Ravon-Berenguer					
Marie-Hélène Sartorius	X Chairman	X			
Marie-Solange Tissier	X	X Chairman			
Daniel Verwaerde			X	X	X
Bruno Vincent	X	X	X	X	X
Alexia Dravet	X				X
Catherine Deiana		X	X		

4.3 Other committee

In accordance with the provisions of the Shareholders' Agreement, an Advisory Committee was created on July 27, 2017. This committee, which plays an advisory and consultative role, may submit proposals concerning the group's strategy, particularly in relation to its international development policy.

During the period from September 1, 2017 to December 31, 2017, the Advisory Committee met twice.

4.4 Officers

4.4.1 Executive Management Arrangements

On July 12, 2017, the Board of Directors decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer and to appoint, for a transitional period until the General Meeting held immediately following the completion of the capital increase reserved for the French State, Mr. Philippe Knoche as Chief Executive Officer of the Company.

On July 27, 2017, following the General Meeting that approved the change in governance, the Board of Directors decided to appoint Mr. Philippe Varin as Chairman of the Board of Directors and noted the appointment by decree of Mr. Philippe Knoche as Chief Executive Officer.

The aim of this separation of functions was to create a clear distinction between the strategic, decision-making and control duties of the Chairman of the Board of Directors and the operational and executive duties of the Chief Executive Officer. It was also designed to improve the functioning of the Board of Directors through the presence of one person dedicated to chairing the Board and the balanced distribution of powers to limit the isolation of the group leader and to encourage dialogue between peers.

Furthermore, as a member of the Board of Directors, the Chief Executive Officer participates in the determination of the Company's and the group's strategic directions.

The powers of the Chairman of the Board of Directors and of the Chief Executive Officer are described in 4.4.2 hereunder.

4.4.2 Powers of the Officers

4.4.2.1 Chairman of the Board of Directors

The Chairman represents the Board of Directors and, other than in exceptional circumstances, is the sole person authorized to act and speak on behalf of the Board of Directors.

In coordination with the company's executive management, the Chairman may take part in defining the group's strategic directions and may represent the group in France and abroad in its relations with public officials and the group's partners.

The Chairman organizes and manages the work of the Board of Directors and ensures the smooth functioning of the Company's bodies in compliance with the principles of good governance. He coordinates the work of the Board of Directors with that of its committees.

He ensures that the Directors and censors, the Head of the Control Mission and the Government Commissioner have, in good time and in a clear and appropriate format, the information they require to carry out their responsibilities.

The Chairman provides liaison between the Board of Directors and the Company's Shareholders, in concert with Management.

The meetings of the Board of Directors are chaired by the Chairman, who leads the discussions, or in his absence by the Vice Chairman, or in the absence of the latter by a member of the Board of Directors designated at the beginning of the meeting by a simple majority of the members present.

4.4.2.2 Chief Executive Officer

The Chief Executive Officer is responsible for the Company's Executive Management and represents the Company in its relations with third parties.

The broadest powers are vested in him to act in all circumstances on behalf of the Company, subject to the powers which the law assigns to the Board of Directors and to the General Meeting of Shareholders, as well as the corporate governance rules applicable to the Company.

Under the terms of Article 16-2 of the Company's Articles of Association, the following transactions of the Company and its subsidiaries are subject to the prior approval of the Board of Directors:

(a) transactions likely to impact the group's strategy and modify its financial structure or scope of activity;

(b) insofar as they relate to an amount of more than 80 million euros:

- (i) issues of securities by direct subsidiaries, of any nature,
- (ii) exchanges, with or without cash payment, of goods, securities or assets; loans, borrowings, credit transactions and prepayments; acquisitions or disposals, by any means, of all debt instruments, excluding cash management operations in the ordinary course of business,
- (iii) settlements, agreements or transactions relating to disputes;

(c) insofar as they relate to an amount of more than 20 million euros:

- (i) investment projects relating to the creation of a site or the extension of an existing site,
- (ii) acquisitions, extensions or disposals of equity interests in any existing or future companies,
- (iii) decisions to set up new or close down existing locations in France or abroad,
- (iv) acquisitions of buildings.

Exceptionally, and unless the Chairman of the Board of Directors requests otherwise, the transactions referred to under (a), (b) and (c) above are not subject to the prior approval of the Board of Directors when they are carried out between companies of the group.

On December 14, 2017, the Board of Directors delegated its authority to the Chief Executive Officer to issue sureties, endorsements and guarantees.

4.5 Compensation of officers and directors

4.5.1 Report of the Board of Directors on the principles and criteria for determining, distributing and allocating the components that make up the compensation of its officers

It should be noted that pursuant to Article L. 225-37-2 of the French Commercial Code, the General Meeting of Shareholders was consulted on July 27, 2017, after having taken note of the Board of Directors' report on the principles of the compensation policy, and as such approved the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components that make up the total compensation and benefits of any kind attributable to the Chairman of the Board of Directors and the Chief Executive Officer, as they are detailed in said report (Report on the Compensation Policy). This report appears in Appendix 8.9 of the group's Annual Activity Report for the financial period from January 1 to August 31, 2017.

The aforementioned Article L. 225-37-2 provides that the principles of compensation of officers, on account of their positions, are the subject of a resolution submitted at least annually to the General Meeting of Shareholders for approval.

The Company's 2018 Compensation policy will be put to the approval of the General Meeting of Shareholders invited to approve the financial statements for the period from January 1, 2017 to August 31, 2017 and those for the period from September 1, 2017 to December 31, 2017, in accordance with Article R. 225-64 of the French Commercial Code. The Report of the Board of Directors to the General Meeting is provided in Appendix 7.10 of this Annual Activity Report.

4.5.2 Compensation of officers and members of the Board of Directors

The arrangements for the setting of the compensation of company corporate officers comply with the provisions of the French Commercial Code and with the AFEP-MEDEF Code to which the Company has referred since July 27, 2017.

In the absence of a Compensation and Nominating Committee within the Company until its governance was restructured, the Compensation and Nominating Committee of AREVA SA voted on July 26, 2017 on the compensation policy for officers of the Company.

Based on a proposal from the Compensation and Nominating Committee, the compensation of the Chairman of the Board of Directors and the Chief Executive Officer and the amount of attendance fees paid to the members of the Board of Directors were set by the Board of Directors.

The components of this compensation were subject to the approval of the Minister of the Economy pursuant to Decree No. 53-707 of August 9, 1953 as amended, concerning the control of the French State over domestic public sector companies and certain organizations with an economic or social purpose.

It should be noted that pursuant to Article 3 of said decree, the gross annual cap for the compensation of the officers is set at 450,000 euros[1].

In accordance with current regulations, the following tables present the compensation and benefits of any kind received by each of the corporate officers over the course of the fiscal year from controlled companies within the meaning of Article L. 233-16 or the Company that controls, within the meaning of the same Article, the Company in which the term of office is held.

4.5.2.1 Directors' fees

In respect of their terms of office, the members of the Board of Directors may receive attendance fees.

In accordance with their preferences expressed to the Board, the Board of Directors has decided that:

- Philippe Varin, Philippe Knoche, Daniel Verwaerde and Marie-Astrid Ravon-Berenguer shall not receive attendance fees in respect of the year 2017;
- the attendance fees received by Alexia Dravet and Catherine Deiana in their capacity as Directors representing the employees shall be paid to their trade unions;
- the attendance fees paid to the representative of the French State and/or members of the Board nominated by the French State and having the status of public official, shall be paid directly to the French State pursuant to the provisions of Articles 5 and 6 of Order No. 2014-948 of August 20, 2014.

The General Meeting of July 27, 2017 set at 300,000 euros the total sum of attendance fees allocated to the members of the Board of Directors for the period between July 27, 2017 and December 31, 2017 and at 600,000 euros for the period between January 1, 2018 and the end of the 2018 fiscal year, inclusive of the sums paid to the independent directors in respect of their attendance at meetings of the Advisory Committee[2].

For the second half of 2017 and for the year 2018, the distribution of attendance fees was set by the Board of Directors on July 27, 2017, in accordance with the following rules, such that the variable component received by each member of the Board is dominant.

[1] *Not including non-cash benefits and severance payments.*

[2] *Furthermore, each Director is entitled to the reimbursement, upon presentation of supporting documents, of travel expenses reasonably incurred in the performance of his/her duties.*

The members of the Board of Directors are entitled to a fixed component in consideration of their duties as Director and a variable component according to their effective attendance at Board meetings and, where applicable, meetings of committees (or meetings of the Restricted Committee) of which they are a member. Moreover, the Board may allocate an additional sum of attendance fees to those Directors residing outside of France to take account of the travel constraints involved.

Amounts for meetings of the Board:

a) an annual flat rate determined in accordance with the responsibility of the position held, which shall not be paid in the event of repeated absence: the sum of 5,000 euros for the second half of 2017 and 10,000 euros for the 2018 fiscal year (amount to remain unchanged for subsequent fiscal years);

b) an amount of 1,500 euros per meeting.

Amounts for meetings of the committees of the Board (including the Select Committee and the non-permanent committees):

a) an amount of 3,000 euros per meeting for the chair of the Audit and Ethics Committee;

b) an amount of 2,500 euros per meeting for each committee chair (including the Select Committee and the non-permanent committees);

c) an amount of 1,500 euros per meeting for each committee member, other than the committee chair (including the Select Committee and the non-permanent committees).

For members residing outside France, the amounts indicated in points 1 b) and 2 above are doubled when the member physically attends the meetings.

The fee is paid within 45 days of the end of the financial year.

Directors attending a meeting of the Board of Directors or of a committee via teleconferencing or videoconferencing shall receive a fee equivalent to half of the fee paid to a Director resident in France and physically attending the meeting.

By way of exception, if on the day of a General Meeting of Shareholders, the Board of Directors meets both before and after this meeting, only one fee shall be paid in respect of both meetings.

Furthermore, each Director is entitled to the reimbursement, upon presentation of supporting documents, of travel expenses reasonably incurred in the performance of his/her duties.

In accordance with Article 3 of Decree No. 52-707 of August 9, 1953, these compensation components have been approved by a ministerial decision dated September 7, 2017.

Summary of the attendance fees allocated to the directors for the periods ended August 31, 2017 and December 31, 2017

Members of the Board of Directors(1)	Total 2017 (2)
Claude Imauven	23,500
Maurice Gourdault-Montagne	9,500(3 (4)
Reynold Prevost de la Boutetière	9,500(4)
Marie-Hélène Sartorius	26,000
Marie-Solange Tissier	16,500(4)
French State represented by Bruno Vincent	23,750(4)
Catherine Deiana	11,750(5)
Alexia Dravet	20,000(5)
TOTAL	**140,500**

(1) List of the members of the Board of Directors who received attendance fees during 2017: Messrs. Philippe Varin, Philippe Knoche and Daniel Verwaerde, and Mrs. Marie-Astrid Ravon-Bérenguer, did not receive attendance fees for their respective terms of office on the Board of Directors in 2017.

(2) At its meeting on December 14, 2017, the Board of Directors, noting the inseparable nature of the fixed portion of the attendance fees, decided to combine payments of the attendance fees due in respect of the two periods ended in 2017.

(3) Mr. Maurice Gourdault-Montagne was appointed by the Board of Directors on October 31, 2017 to replace Mr. Christian Masset, who resigned on August 1, 2017.

(4) For Messrs. Reynold Prévost de la Boutetière, Maurice Gourdault-Montagne and Bruno Vincent, and Mrs. Marie-Solange Tissier, as directors representing the French State, representatives of the French State and/or members of the Board of Directors nominated by the French State and as public officials, Orano pays their attendance fees directly to the State.

(5) For Mrs. Catherine Deiana and Mrs. Alexia Dravet, directors representing employees, Orano pays their attendance fees directly to the trade union to which they belong.

In addition, the directors representing the employees are employed by Orano Cycle and as such receive compensation unrelated to their board duties. Accordingly, this compensation is not published.

4.5.2.2 Censors' fees

Based on a recommendation from the Compensation and Nominating Committee of AREVA SA, the Board of Directors' meeting of July 27, 2017 decided to set the compensation of Mr. Patrick Pelata in respect of his duties as censor at 1,000 euros per meeting attended. This compensation shall be paid from the budget for attendance fees set out in Section 4.5.2.1 above[1].

Mr. Pascal Faure shall not receive compensation in respect of his duties as censor.

4.5.3 Compensation of executive corporate officers

4.5.3.1 Compensation of the CEO

Mr. Philippe Knoche performed his duties as Chief Executive Officer of AREVA SA until July 27, 2017.

At its meeting of July 12, 2017, the Board of Directors of the Company appointed Mr. Philippe Knoche as Chief Executive Officer for the period until the General Meeting called on or before July 31, 2017.

On July 27, 2017, following the General Meeting having approved the change in governance following the completion of the capital increase reserved for the French State, the Board of Directors of the Company took note of the appointment by decree dated July 26, 2017 of Mr. Philippe Knoche as Chief Executive Officer in accordance with Article 19 of Order No. 2014-948 of August 20, 2014 relating to the governance and share capital transactions of publicly-owned companies and Article 18.1 of the Company's Articles of Association. The Board of Directors decided, based on a recommendation from the Compensation and Nominating Committee of AREVA SA, that Mr. Philippe Knoche would receive the following components of compensation in respect of his duties as Chief Executive Officer and for the entire duration of his term of office, calculated prorata temporis for 2017:

- gross annual fixed compensation of 420,000 euros;
- an annual variable component calculated in accordance with the achievement of qualitative criteria (40%) and quantitative criteria (60%) validated for each fiscal year by the Board of Directors. This variable compensation may not exceed the gross amount of 30,000 euros; and
- an annual benefit in kind in the form of a company car, with a value of 4,416 euros.

These compensation components were authorized by a ministerial decision dated September 7, 2017.

On December 14, 2017, the Board of Directors set the targets for 2018 to determine the variable component of Mr. Philippe Knoche's compensation and any severance payment.

These components of compensation are subject to the approval of the Minister of the Economy, in accordance with the provisions of Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the control of the French State over domestic public sector companies and certain organizations with an economic or social purpose.

It should also be noted that within the Company there are no performance share plans, stock option plans or share option plans in place for either the directors or the employees.

Mr. Philippe Knoche does not have an employment contract.

With regard to the period from July 12 to July 27, 2017, Mr. Philippe Knoche held the position of Chief Executive Officer for both the Company and AREVA SA. Mr. Knoche did not receive compensation from AREVA SA in respect of his duties as Chief Executive Officer of AREVA SA.

[1] *The General Meeting of February 26, 2018 noted the termination of Mr. Patrick Pelata's role as Censor following the completion of the capital increases reserved for Mitsubishi Heavy Industries Ltd. and Japan Nuclear Fuel Limited, pursuant to the Board of Directors' decision of July 27, 2017, and voted to appoint him as Director.*

The table below presents the compensation owed to or received by Mr. Philippe Knoche in his respect of his duties as Chief Executive Officer of the Company for the financial year ended and financial year N-1:

(euros)	Summary of compensation and benefits to Philippe Knoche			
	Period ended August 31, 2017[1]		Period ended December 31, 2017	
Orano corporate officer	**Amounts due[2]**	**Amounts paid[3]**	**Amounts due [2]**	**Amounts paid[3]**
Fixed compensation	58,333	58,333	140,000	140,000
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Non-cash benefits	368	368	1,472	1,472
TOTAL	58,701	58,701	141,472	141,472

(1) Including compensation paid by AREVA SA for the period between July 12 and 27, 2017 in respect of his duties as Chief Executive Officer of AREVA SA.
(2) Compensation due for the period, regardless of the payment date.
(3) Sum total of the compensation paid during the year.

Severance and non-competition payments

	Employment contract		Supplemental retirement benefits		Compensation or benefits due or that may be due in the event of termination or change in duties, including payments relative to a non-competition clause	
Executive director	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Name: Philippe Knoche Office: Chief Executive Officer Date of start of term: July 26, 2017 Date of end of term: 2022 GM		X		X	X [1]	

(1) Except as noted below.

Severance payments

Under Article L. 225-42-1 of the French Commercial Code, the Board of Directors, at its meeting on July 27, 2017, following a proposal from the Compensation and Nominating Committee of AREVA SA, decided to terminate the commitments made by the Company regarding payments or benefits owed or liable to be owed to Mr. Philippe Knoche, Chief Executive Officer, as a result of his duties being terminated or changed, under the following conditions:

Mr. Knoche may be granted a severance payment capped at twice the total amount of his annual compensation on the date of cessation of his duties.

If Mr. Philippe Knoche (i) wishes to exercise his right to retire shortly after the end of his term, regardless of the reason, even if constrained to do so, or (ii) occupies another function within the group, he shall not be entitled to a severance payment.

The aforementioned severance payment shall only be paid in the event of the dismissal of Mr. Philippe Knoche due to a change in control or strategy, it being understood that this shall not be paid in the event of dismissal for just cause.

This payment shall also be subject to performance conditions, in accordance with the following criteria:

- severance compensation will be paid automatically if the rate of achievement of quantitative and qualitative objectives was more than 60% on average for the periods ended the two previous years;
- if the rate of achievement of quantitative and qualitative objectives for the last two financial periods was less than an average of 60%, the Board of Directors will assess the performance of the party concerned with regard to circumstances affecting the company's functioning during the financial year.

The appraisal of the rate of fulfillment of the quantitative and qualitative objectives shall be as follows:

- if the calculation was performed in 2018: those approved by the Board of Directors of AREVA SA in 2017 and 2016;
- if the calculation was performed in 2019: those approved by the Board of Directors of AREVA SA in 2017 and those approved by the Board of Directors of the Company in 2018.

The performance objectives shall be approved every year by the Board of Directors of the Company, with effect from 2018.

Non-competition payments

The Board of Directors may decide to grant Mr. Philippe Knoche an indemnity in return for a non-competition clause. The amount of this indemnity shall be deducted from the amount of severance payment granted, where applicable, to Mr. Philippe Knoche in accordance with the above conditions. In the absence of a severance payment, the amount of the payment due in return for a non-competition clause shall be set by the Board of Directors in accordance with common practices.

Any severance payment and/or non-competition indemnity must be approved in advance by the Board of Directors in accordance with Article L. 225-42-1, paragraph 5, of the French Commercial Code and be approved by the Minister for the Economy pursuant to the aforementioned Article 3 of Decree No. 52-707 of August 9, 1953.

Pensions and retirement benefits

No defined-benefit supplemental retirement plans have been subscribed by the Company on behalf of Mr. Philippe Knoche. He is eligible for the supplemental retirement plans applicable to the Company's management personnel.

Unemployment insurance

A MEDEF unemployment insurance policy has been taken out with the GSC (*Garantie Sociale des Chefs et Dirigeants d'Entreprise*), in favor of Mr. Philippe Knoche. 70% of the contributions to this policy are paid by the Company and 30% by the beneficiary.

4.5.3.2 Compensation of the Chairman of the Board of Directors

Mr. Philippe Varin has been Chairman of the Board of Directors of AREVA SA since January 8, 2015.

Mr. Philippe Varin was also appointed Chairman of the Board of Directors of the Company by a decision of the Board of Directors dated July 27, 2017.

Based on a recommendation by the Compensation and Nominating Committee of AREVA SA, the Board of Directors' meeting of July 27, 2017 decided to set the gross fixed compensation of Mr. Philippe Varin in respect of his duties during his term of office and prorata temporis for the year 2017, at 120,000 euros.

This decision was authorized by a ministerial decision dated September 7, 2017.

Mr. Philippe Varin does not receive any variable compensation.

The table below presents the compensation owed to or received by Mr. Philippe Varin in respect of his duties as Chairman of the Board of Directors of the Company for the financial year ended and financial year N-1:

(euros)	Summary of compensation and benefits of Philippe Varin			
	Period ended August 31, 2017		**Period ended December 31, 2017**	
Orano corporate officer	**Amounts due(1)**	**Amounts paid(2)**	**Amounts due(1)**	**Amounts paid(2)**
Fixed compensation	11,428	11,428	40,000	40,000
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Non-cash benefits	N/A	N/A	N/A	N/A
TOTAL	11,428	11,428	40,000	40,000

(1) Compensation due for the period, regardless of the payment date.
(2) Sum total of the compensation paid during the year.

Severance and non-competition payments

Mr. Philippe Varin is not entitled to any severance or non-competition payment.

	Employment contract		Supplemental retirement benefits		Compensation or benefits due or that may be due in the event of termination or change in duties, including payments relative to a non-competition clause	
Executive director	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Name: Philippe Varin Position: Chairman of the Board of Directors Date of start of term: July 27, 2017 Date of end of term: 2022 GM		X		X		X

4.5.4 Shareholder consultation on the compensation of executive corporate officers

The Report on the Compensation Policy approved by the shareholders at the General Meeting of July 27, 2017 sets out the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components that make up the total compensation and benefits of any kind attributable to the Chairman of the Board of Directors and the Chief Executive Officer in respect of their terms of office.

Given that the payment of variable or special components (unlike fixed components) is subject to the approval of the General Meeting of Shareholders pursuant to Article L. 225-100 of the French Commercial Code, shareholders will be invited to vote on the compensation due or paid to the Chairman of the Board of Directors and to the Chief Executive Officer at the General Meeting approving the financial statements for the period from January 1 to August 31, 2017 and for the period from September 1, 2017 to December 31, 2017. The shareholder vote will therefore cover the period during which he was paid (period from July 27, 2017 to December 31, 2017).

Similarly, in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, at the next Orano General Meeting the shareholders will be asked to approve the components of compensation of Orano SA executive corporate officers, as follows:

Approval of the components of the compensation policy applicable respectively to the Chairman of the Board of Directors and the Chief Executive Officer

The General Meeting, deliberating under the conditions of quorum and majority required for ordinary general meetings and after having taken note of the Board of Directors' report prepared pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria used for determining, distributing and allocating the fixed, variable and exceptional components of the total compensation and the benefits of any kind payable to the Chairman of the Board of Directors and the Chief Executive Officer of the Company, by reason of their respective offices, as presented in the report contained in the Corporate Governance Report included in the group's Activity Report for the current reporting period from September 1 to December 31, 2017 in Part 4.5.

4.6 **Reference Corporate Governance Code**

Following a decision of the Board of Directors on July 27, 2017, the Company voluntarily refers to the "Code of Corporate Governance for Publicly Traded Companies" developed jointly by Afep and Medef in December 2008 and last revised in November 2016 (AFEP-MEDEF Code).

In accordance with the "apply or explain" principle described in Article L. 225-37-4 of the French Commercial Code, the Company explains below the reasons for which it has derogated from the following recommendations of the AFEP-MEDEF Code.

AFEP-MEDEF recommendation	Departure	Explanation or corrective action taken
The AFEP-MEDEF Code recommends that the terms of members of the Board of Directors be staggered to avoid massive renewals and promote the harmonious renewal of the directors - Article 14 of the Code.	The terms of office of the first members of the Board of Directors appointed on July 27, 2017 and february 26, 2018 will all expire on the same date, i.e. at the end of the General Meeting convened to approve the financial statements for the year ended December 31, 2021.	The agreements concluded between the French State, AREVA SA, MHI and JNFL provide for new governance from the completion of the capital increase reserved for the French State, making it impossible at this stage to have a staggered Board.
The AFEP-MEDEF Code recommends that: • at least two thirds of the directors on the Audit Committee be independent; • no executive directors sit on committees in charge of compensation and nominations, which should be composed mainly of independent directors; • the chair of the compensation committee be independent and one of the members represent employees (Articles 15, 16 and 17 of the Code).	• The Audit and Ethics Committee is not two-thirds composed of independent directors. • The Compensation and Nominating Committee is composed mainly of directors nominated by the State and includes an employee director. It is not chaired by an independent director.	These recommendations are not suited to the Company, considering the structure of its share ownership and the resulting composition of the Board of Directors.
The AFEP-MEDEF Code recommends that the Board of Directors hold a "relatively significant number" of shares and that the executive officers hold a "minimum number of shares" (Articles 19 and 22 of the Code).	The Company's Articles of Association and the Rules of Procedure of the Board of Directors do not require that its members hold a relatively significant number of shares. In addition, the Board of Directors has not set the number of shares that must be held by the executive officers until the end of their functions.	These recommendations are not suited to the Company, considering the structure of its share ownership and the resulting composition of the Board of Directors. In addition, because the Company's shares are not listed, the reasons behind this recommendation (alignment of interests regarding share performance) do not apply. As no stock options or free shares have been awarded to officers, the recommendation to retain some of the shares acquired on that basis is equally inapplicable.

4.7 General Meetings

4.7.1 Shareholder attendance at General Meetings

In accordance with Chapter V of the Company's Articles of Association, General Meetings of Shareholders are convened and deliberated in accordance with the conditions provided by law.

A duly convened General Meeting shall be deemed to represent all of the shareholders.

Resolutions of the General Meeting made in compliance with the law and with the Articles of Association are binding on all of the shareholders, even those who are absent, dissenting or incapable.

Any shareholder may attend General Meetings in person or by proxy under the conditions prescribed by law upon presenting proof of his or her identity and registering his or her shares on the day of the General Meeting in the registered share account maintained by the Company.

In the event of the subdivision of share ownership, only the voting right holder may attend or be represented at the General Meeting.

Joint owners of undivided shares are represented at the General Meeting by one of the joint owners or by a single proxy who shall be designated, in the event of disagreement, by order of the President of the Commercial Court in an urgent ruling at the request of any of the joint owners.

Any shareholder may be represented by another shareholder, by his or her spouse, or by the partner with which he or she has signed a civil solidarity pact.

The General Meeting is chaired by the Chairman of the Board of Directors. In the absence of the latter, it elects its own chairman.

In the event that it is convened by the Statutory Auditor(s), by a court-appointed receiver or by the liquidators, the General Meeting is chaired by the person or by one of the persons who convened it.

The two members of the General Meeting attending and accepting which have the largest number of votes fulfill the duties of vote teller.

The committee thus constituted appoints a Committee Secretary, who may come from outside the members of the General Meeting.

An attendance sheet maintained in accordance with the regulatory conditions is signed by the shareholders present or their representatives and certified to be accurate by the members of the committee.

The committee ensures the functioning of the General Meeting, but its decisions may, at the request of any member of the General Meeting, be subject to the sovereign vote of the General Meeting itself.

Resolutions of General Meetings are recorded in minutes signed by the members of the committee and drawn up on a special register kept at the registered office, with a serial mark and initialed per the conditions stipulated in the applicable regulations.

4.7.2 Summary of delegations granted to the Board of Directors by the General Meeting of Shareholders pursuant to Article L. 225-37-4 of the French Commercial Code

The table below presents a summary of the valid delegations granted to the Board of Directors by the General Meeting of Shareholders in relation to capital increases, pursuant to Article L. 225-37-4 of the French Commercial Code.

Type of authorization	**Date of authorization**	**Term/Expiration**	**Maximum amount** *(euros)*
Authorization of a capital increase in the total amount of 250,020,606.27 euros, including share premium, by issuing 13,207,639 new ordinary shares with a par value of 0.50 euros each accompanied by a share premium of 18.43 euros per share, reserved for JNFL and/or any associate of JNFL, defined as any entity controlled by JNFL under the meaning of article L. 233-3 of the French Commercial Code.	EGM July 11, 2017 (amendment to the 4th resolution adopted by the EGM of February 3, 2017)	18 months used on February 26, 2018	250,020,606.27
Authorization of a capital increase in the total amount of 250,020,606.27 euros, including share premium, by issuing 13,207,639 new ordinary shares with a par value of 0.50 euros each accompanied by a share premium of 18.43 euros per share, reserved for MHI and/or any associate of MHI, defined as any entity controlled by MHI under the meaning of article L. 233-3 of the French Commercial Code.	EGM July 11, 2017 (amendment to the 6th resolution adopted by the EGM of February 3, 2017)	18 months used on February 26, 2018	250,020,606.27

4.8 Agreements referred to in Article L. 225-37-4 of the French Commercial Code

In accordance with Article L. 225-37-4 of the French Commercial Code, the following agreements were signed directly or through a third party, or continued during the year, between the Chairman and Chief Executive Officer, one of the directors or one of the shareholders holding a share of more than 10% of the Company's voting rights, and another company of which the Company owns, directly or indirectly, more than half of the share capital.

- **Subordination Agreement in connection with the refinancing of shareholder loans granted to SET**

The Société d'Enrichissement du Tricastin (SET), which owns and operates the Georges Besse II uranium enrichment plant, signed on June 13, 2014, a facility agreement with a banking pool in the total amount of 650,000,000 euros for the funding requirements of the Niagara project.

In connection with that funding, a subordination agreement was signed on June 13, 2014 between AREVA SA and AREVA NC, among others ("the subordination agreement"). The purpose of the Subordination Agreement is in particular to subordinate the rights of AREVA SA, AREVA NC and SET Holding against SET for any shareholder-provided funding to the rights of SET's lending banks, until all amounts due to the latter have been repaid in full.

In order to implement the group's reorganization, it became necessary for the Company to be a party to the subordination agreement to anticipate the change of guarantor following the loss of AREVA SA's control of the Company. Consequently, a new Subordination Agreement was signed on November 10, 2016 between, inter alia, AREVA SA, New AREVA Holding and AREVA NC, which cancels and replaces the previous Subordination Agreement.

- **Agency agreement concerning assets earmarked for dismantling and radioactive waste management expenses**

On June 17, 2004, the Board of Directors of AREVA NC authorized the signature of an agency agreement under which AREVA NC gives AREVA SA the authority to manage or organize and control, in the name of AREVA NC and on its behalf, assets earmarked to fund dismantling and radioactive waste management expenses. This agreement has no set expiration date. It may be terminated by either party with three months' notice. It did not give rise to any payment in 2017.

4.9 Elements likely to have an impact in the event of a public offering

Due to the fact that company shares are not admitted for trading on a regulated market, they may not be the subject of a public tender offer or public exchange offer and consequently, the provisions of Article L. 225-37-5 of the French Commercial Code requiring the description of elements likely to have an impact in the event of a public offering are not applicable.

5 Information on the share capital

5.1 Structure and evolution of the Company's share capital

5.1.1 Amount of subscribed capital

At December 31, 2017, the share capital of the company amounted to 118,868,750 euros divided into 237,737,500 shares with a par value of 0.50 euros per share, accompanied by a single voting right.

On February 26, 2018, following the completion of the capital increases reserved for Mitsubishi Heavy Industries Ltd. and Japan Nuclear Fuel Limited, the Company's share capital had been increased by 13,207,639 euros through the issuance in favor of each subscriber of 13,207,639 new ordinary shares with a par value of 0.50 euros each with an issue premium of 18.43 euros per share, thus increasing the Company's share capital from 118,868,750 euros to 132,076,389 euros.

5.1.2 Treasury shares and interlocking investments

None.

5.1.3 Share buyback programs

None.

5.1.4 Liens

None.

5.1.5 Transactions during the period referred to in Article L. 621-18-2 of the Monetary and Financial Code

None.

5.2 Allocation of capital and voting rights

5.2.1 Shareholding structure

At December 31, 2017, the distribution of the Company's share capital and voting rights was as follows:

Shareholder	Number of shares	% of share capital and voting rights
AREVA SA	105,661,109	44.444444%
French State	132,076,391	55.555556%
of which CEA	*12,774,283*	*5.4%*
Total	**237,737,500**	**100%**

At February 26, 2018, the distribution of the Company's share capital and voting rights was as follows:

Shareholder	Number of shares	% of share capital and voting rights
AREVA SA	105,661,109	40%
French State	132,076,391	50%
of which CEA	*12,774,283*	*4.84%*
MHI	13,207,639	*5%*
JNFL	13,207,639	*5%*
Total	**264,152,778**	**100%**

5.2.2 Employee share ownership

In accordance with Article L. 225-102 of the French Commercial Code, we hereby inform you that neither the personnel of the company nor that of the companies which are related to it under the meaning of Article L. 225-180 of the French Commercial Code held an interest in the share capital of the company on the last day of the period.

Inasmuch as AREVA SA has put in place a capital increase process reserved for members of a corporate savings plan within the Group, the provisions of Article L. 225-129-6 of the French Commercial Code related to the obligation to hold a triennial meeting were not applicable to the Company.

At December 31, 2017, the Company had five employees.

6 Miscellaneous information

6.1 Statutory Auditors

The Statutory Auditors of the company are as follows:

Principal Statutory Auditors:

ERNST & YOUNG Audit

(term expiring at the conclusion of the Annual General Meeting convened to approve the financial statements for the period ending December 31, 2020)

MAZARS

(term expiring at the conclusion of the Annual General Meeting convened to approve the financial statements for the period ending December 31, 2019)

Substitute Statutory Auditors:

AUDITEX

(term expiring at the conclusion of the Annual General Meeting convened to approve the financial statements for the period ending December 31, 2020)

Mr. Hervé Helias

(term expiring at the conclusion of the Annual General Meeting convened to approve the financial statements for the period ending December 31, 2019)

6.2 Review of regulated agreements and commitments

6.2.1 Review of regulated agreements and commitments authorized during the financial period ended December 31, 2017

Over the course of the financial period ended December 31, 2017, the Board of Directors did not authorize any regulated agreements or commitments pursuant to Articles L. 225-38 and L. 225-42-1 of the French Commercial Code.

6.2.2 Review of regulated agreements and commitments authorized during previous financial years with continuing effect in the last financial year

The following regulated agreements and commitments, authorized by the Board of Directors in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code, continued during the financial period ended December 31, 2017.

- **Memorandum of investment and shareholders' agreement**

On January 26, 2017, the Board of Directors authorized the signing of a memorandum of investment and a shareholders' agreement between AREVA SA, the French State, Japan Nuclear Fuel Limited (JNFL), Mitsubishi Heavy Industries Ltd. (MHI) and the Company, pertaining to the acquisition by JNFL and MHI of an equity stake in the Company, each acquiring 5% of the share capital and voting rights.

The aforementioned memorandum of investment and shareholders' agreement came into force on March 13, 2017.

On June 29, 2017, the Board of Directors authorized the signing of an amendment to the memorandum of investment and shareholders' agreement entered into on March 13, 2017 by AREVA SA, the French State, Mitsubishi Heavy Industries Ltd. (MHI), Japan Nuclear Fuel Limited (JNFL) and the Company.

Signed on July 26, 2017, the main purpose of this amendment was to:

- add to the draft statutes and rules of procedure of the Company appended to the memorandum of investment and shareholders' agreement to reflect the additional changes agreed between the parties;
- formalize the agreement of MHI and JNFL to proceed, where applicable, with the two closures of the Company's financial year and that of some of its subsidiaries;
- amend certain provisions of the aforementioned memorandum of investment to bring it into line with the schedule agreed for the completion of the capital increase reserved for the French State.

On February 21, 2018, the Board of Directors authorized the signing of two new amendments to the Memorandum of investment and shareholders' agreement, signed on the same day, intended to

- officially acknowledge that several conditions precedent necessary to undertake Orano's capital increase reserved for MHI and JNFL have been satisfied:
- set the Orano capital increase reserved for JNFL and MHI for February 26, 2018;
- modify certain provisions of the Shareholders' Agreement accordingly.

These amendments are in the Company's interest insofar as their conclusion was an essential and indivisible part of the implementation of the group restructuring project, and in particular of the Company's capital increases reserved for MHI and JNFL.

The following were signed on July 26, 2017:

- **Trust agreements**

On January 26, 2017, the Board of Directors authorized the signing of a trust agreement between AREVA SA, the French State, Mitsubishi Heavy Industries Ltd. (MHI), Japan Nuclear Fuel Limited (JNFL), the Company and Crédit Agricole Corporate and Investment Bank.

In accordance with the provisions of the aforementioned memorandum of investment, the signing of the trust agreement took place on the day of completion of the capital increase of the Company reserved for the French State, namely July 26, 2017.

Under the terms of this trust agreement, MHI and JNFL placed in trust the sum of their subscriptions to the capital increase reserved therefor (i.e. 500,041,212.54 euros in total) until the completion of said capital increase.

Under the terms of this agreement, the Company also undertakes to pay all trust expenses and, where applicable, to pay compensation for any decrease in value of the trust estate.

On February 21, 2018, the Board of Directors authorized the signature of an amendment to the trust agreement, signed on the same day, to incorporate the changes made by the parties to the memorandum of investment. This amendment is in the Company's interest insofar as its conclusion was an essential and indivisible part of the implementation of the group restructuring project, and in particular of the Company's capital increases reserved for MHI and JNFL.

The funds placed in trust were released on February 26, 2018, as result of the capital increases reserved for MHI and JNFL.

- **Service agreement**

On July 26, 2017, the Board of Directors authorized the signing of a service agreement between AREVA SA and the Company. The aim of this agreement is to ensure the transfer of knowledge and to enable AREVA SA to have immediate access to the resources and means required to carry out certain tasks. It is justified by the Company's loss of control following the completion of its capital increase reserved for the French State.

The Company undertakes to provide to AREVA SA, directly or via one of its affiliates or a third-party provider of its choice, certain services within a specific list of fields.

This service agreement, entered into in accordance with the rules applicable to regulated professions, notably concerns certain financial services, the administrative management of human resources, the management of work environment services and access to information systems.

Services are billed in accordance with the conditions set out in the appendices to the agreement, it being specified that the prices thereof, approved annually as part of the parties' budgetary review, include a 2% margin (IT services) or 5% margin (non-IT services) on top of their cost price.

The agreement is renewable on a yearly basis, with effect from the completion of the Company's capital increase reserved for the French State.

The agreement was signed on July 27, 2017.

- **Compensation of independent director members of the Advisory Committee**

On July 27, 2017, the Board of Directors took note of the establishment of an "Advisory Committee" in accordance with the provisions of the Shareholders' Agreement entered into on March 13, 2017 between AREVA SA, the French State, Mitsubishi Heavy Industries Ltd. (MHI), Japan Nuclear Fuel Limited (JNFL) and the Company.

This Advisory Committee, which plays an advisory and consultative role, may make proposals relating to the group's strategy, particularly in relation to its international development policy.

On the same day, the Board of Directors, upon a recommendation from the AREVA SA Compensation and Nominating Committee, authorized the assignment of compensation to those independent directors agreeing to sit on the Advisory Committee of 1,500 euros per meeting attended.

- **Company commitments in favor of Mr. Philippe Knoche**

On July 27, 2017, the Board of Directors noted the appointment, by a decree of the Minister of the Economy dated July 26, 2017, of Philippe Knoche as Chief Executive Officer of the Company.

This same Board of Directors, upon a proposal from the Compensation and Nominating Committee, established the Company's commitments concerning compensation and benefits due or likely to be due to Philippe Knoche, Chief Executive Officer, due to the cessation of or change to his duties in accordance with the following terms.

The Board of Directors authorized the payment to Philippe Knoche of a severance payment of a maximum amount equal to twice the sum of his annual compensation on the day of cessation of his duties.

It should be noted that if Mr. Knoche (i) intends to claim his pension rights shortly after the end of his term of office, for any reason whatsoever, including forced departure, or (ii) comes to hold another position within the group; he shall not be entitled to a severance payment.

This severance payment shall only be paid in the event of the dismissal of Mr. Philippe Knoche due to a change in control or strategy, and not in the event of dismissal for just cause. In all cases, the payment shall be subject to performance conditions, based on the following criteria:

- severance compensation will be paid automatically if the rate of achievement of quantitative and qualitative objectives was more than 60% on average for the periods ended the two previous years;
- If the rate of achievement of quantitative and qualitative objectives for the last two financial periods was less than an average of 60%, the Board of Directors will assess the performance of the party concerned with regard to circumstances affecting the company's functioning during the financial year.

The appraisal of the rate of fulfillment of the quantitative and qualitative objectives shall be as follows:

- if the calculation is performed in 2018: those approved by the Board of Directors of AREVA SA in 2017 and 2016;
- if the calculation is performed in 2019: those approved by the Board of Directors of AREVA SA in 2017 and those approved by the Board of Directors of Orano in 2018.

Consequently, as from 2018, the performance objectives shall be approved each year by the Company's Board of Directors.

In addition, the Board of Directors may decide to grant a severance payment to the Chief Executive Officer in exchange for a non-competition clause. The amount of this indemnity shall be deducted from the amount of any severance payment that may be granted to the CEO under the above terms and conditions. In the absence of a severance payment, the amount of the payment due in return for a non-competition clause shall be set by the Board of Directors in accordance with common practices.

Such indemnities are not part of the capped compensation of the Chief Executive Officer.

Mr. Philippe Knoche shall also be eligible for:

- MEDEF unemployment insurance from the GSC (Garantie Sociale des Chefs et Dirigeants d'Entreprise), to which 70% of the contributions shall be made by the Company and 30% by Philippe Knoche;
- a supplemental retirement plan applicable to the company's management employees.

6.3 Injunctions and fines for anti-competitive practices

As of the date of this report, the company was not aware of any injunctions or monetary sanctions for anti-competitive practices against the company.

6.4 Observations of the Works Council

The Board of Directors did not receive any observations from the Works Council pursuant to the provisions of Article L. 2323-8 (2) of the French Commercial Code.

6.5 Payment terms

Invoices received and issued and not settled as at the closing date of the financial year and for which the payment deadline has passed are presented in the table below (in accordance with paragraph I of Article D. 441-4).

Invoices received and issued and not settled as at the closing date of the financial year and for which the payment deadline has passed (in accordance with paragraph I of Article D. 441-4)

(in thousands of euros)	**Article D. 441 1.-1°: Invoices *received* and not settled as at the closing date of the financial year and for which the payment deadline has passed**						**Article D. 441 1.-2°: Invoices *issued* and not settled as at the closing date of the financial year and for which the payment deadline has passed**					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day or more)	*0 days (indicative)*	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day or more)
(A) Payment delay												
Number of invoices	17					10	36					52
Total sum of invoices excl. taxes	23,894	229	0	0	0	229	7,448	-1,510	393	0	956	-161
Percentage of total sum of purchases for the financial year excl. taxes	42.24%	0.41%	0.00%	0.00%	0.00%	0.41%						
Percentage of revenue for the financial year excl. taxes							70.72%	-14.34%	3.73%	0.00%	9.08%	-1.53%
(B) Invoices excluded from (A) relating to receivables and borrowings in dispute or not recorded												
Number of invoices excluded	2						0					
Total sum of invoices excluded, incl. taxes	-256						0					
(C) Payment terms applied (legal or contractual terms - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms applied to calculate payment delays	o Contractual terms + LME Law						o Contractual terms + LME Law					
	Purchases excl. taxes 56,562						Revenue excl. taxes 10,531					

6.6 Information on loans granted to other companies covered by Articles L. 511-6 and R. 511-2-1-1-II of the French Monetary and Financial Code

None.

7 Appendices to the annual activity report

Appendix 7.1	Consolidated Financial Statements for the 4 months ended December 31, 2017
Appendix 7.2	Company Financial Statements for the 4 months ended December 31, 2017
Appendix 7.3	Specific Consolidated Financial Statements for the 12 months ended December 31, 2017
Appendix 7.4	Statutory Auditors' Report on the Consolidated Financial Statements for the 4 months ended December 31, 2017
Appendix 7.5	Statutory Auditors' Report on the Company Financial Statements for the 4 months ended December 31, 2017
Appendix 7.6.	Statutory Auditors' Report on the Specific Consolidated Financial Statements for the 12 months ended December 31, 2017
Appendix 7.7	Five-year financial summary
Appendix 7.8	Subsidiaries and associates
Appendix 7.9	List of companies controlled indirectly
Appendix 7.10	Board of Directors' Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to the officers of the Company (Article L. 225-37-2 of the French Commercial Code)
Appendix 7.11	Independent Verifier's Report on the declaration of non-financial performance
Appendix 7.12	Financial glossary

7.1 Consolidated Financial Statements for the 4 months ended December 31, 2017

Consolidated Financial Statements

Orano

(formerly NEW AREVA or NewCo)

December 31, 2017

(Financial period of four months from September 1 to December 31, 2017)

CONSOLIDATED STATEMENT OF INCOME

(in millions of euros)	*Note*	**December 31, 2017 (4 months)**	**August 31, 2017 (8 months)**
REVENUE	(Note 3)	**1,585**	**2,339**
Other income from operations		5	1
Cost of sales		(1,234)	(1,936)
GROSS MARGIN		**355**	**403**
Research and development expenses		(36)	(51)
Marketing and sales expenses		(19)	(33)
General expenses		(20)	(82)
Other operating income	(Note 5)	40	47
Other operating expenses	(Note 5)	(75)	(566)
OPERATING INCOME		**244**	**(281)**
Share in net income of joint ventures and associates	(Note 13)	(13)	9
Operating income after share in net income of joint ventures and associates		**230**	**(272)**
Gross borrowing costs		(73)	(152)
Income from cash and cash equivalents		6	10
Net borrowing costs		**(67)**	**(142)**
Other financial expenses		(166)	(320)
Other financial income		26	404
Other financial income and expenses		**(140)**	**84**
NET FINANCIAL INCOME	(Note 7)	**(207)**	**(58)**
Income tax	(Note 8)	(4)	(49)
NET INCOME FROM CONTINUING OPERATIONS		**20**	**(378)**
Net income from operations sold or held for sale		-	(2)
NET INCOME FOR THE PERIOD		**20**	**(380)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		**8**	**(260)**
NET INCOME ATTRIBUTABLE TO MINORITY INTERESTS	(Note 20)	**12**	**(120)**

Comprehensive income

(in millions of euros)	*Note*	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Net income		**20**	**(380)**
Items not recyclable to the statement of income		**(43)**	**35**
Actuarial gains and losses on the employee benefits of consolidated companies		(40)	34
Income tax related to non-recyclable items		(2)	0
Share in non-recyclable items from joint ventures and associates, net of tax		-	-
Items recyclable to the statement of income		**31**	**(63)**
Currency translation adjustments of consolidated companies		(7)	(189)
Change in value of available-for-sale financial assets		106	(132)
Change in value of cash flow hedges		17	248
Income tax related to recyclable items		(85)	10
Share in recyclable items from joint ventures and associates, net of tax		-	-
Total other items of comprehensive income (net of income tax)	(Note 8)	**(12)**	**(29)**
COMPREHENSIVE INCOME		**8**	**(409)**
- Attributable to owners of the parent		(4)	(276)
- Attributable to minority interests		12	(133)

Consolidated statement of financial position

ASSETS	*Note*	December 31, 2017	August 31, 2017
(in millions of euros)			
NON-CURRENT ASSETS		**17,118**	**16,364**
Goodwill on consolidated companies	(Note 9)	1,193	1,204
Intangible assets	(Note 10)	1,339	1,344
Property, plant and equipment	(Note 11)	7,097	7,130
End-of-lifecycle assets (third party share)	(Note 12)	153	115
Assets earmarked for end-of-lifecycle operations	(Note 12)	7,112	6,261
Investments in joint ventures and associates	(Note 13)	10	13
Other non-current assets	(Note 14)	114	139
Deferred tax assets	(Note 8)	101	157
CURRENT ASSETS		**5,095**	**6,834**
Inventories and in-process	(Note 15)	1,316	1,445
Trade accounts receivable and related accounts	(Note 16)	816	1,014
Other operating receivables	(Note 17)	791	653
Other non-operating receivables		57	68
Current tax assets	(Note 8)	98	137
Other current financial assets	(Note 14)	67	14
Cash and cash equivalents	(Note 18)	1,950	3,504
TOTAL ASSETS		**22,212**	**23,198**

LIABILITIES AND EQUITY	*Note*	December 31, 2017	August 31, 2017
(in millions of euros)			
Capital		119	119
Consolidated premiums and reserves		963	960
Actuarial gains and losses on employee benefits		(164)	(123)
Unrealized gains (losses) on financial instruments		305	265
Currency translation reserves		(79)	(68)
Equity attributable to owners of the parent		**1,144**	**1,154**
Minority interests	(Note 20)	(192)	(204)
EQUITY & MINORITY INTERESTS	(Note 19)	**952**	**950**
NON-CURRENT LIABILITIES		**13,963**	**13,972**
Employee benefits	(Note 21)	1,382	1,358
Provisions for end-of-lifecycle operations	(Note 12)	7,545	7,480
Non-current provisions	(Note 22)	270	262
Share in negative net equity of joint ventures and associates	(Note 13)	57	47
Long-term borrowings	(Note 23)	4,676	4,804
Deferred tax liabilities	(Note 8)	33	21
CURRENT LIABILITIES		**7,298**	**8,276**
Current provisions	(Note 22)	1,730	1,700
Short-term borrowings	(Note 23)	429	1,102
Advances and prepayments	(Note 24)	2,865	2,924
Trade accounts payable and related accounts		569	587
Other operating liabilities	(Note 25)	1,612	1,776
Other non-operating liabilities		66	71
Current tax liabilities	(Note 8)	27	116
LIABILITIES AND EQUITY		**22,212**	**23,198**

Consolidated statement of cash flows

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
Net income for the period	**20**	**(380)**
Less: income from operations sold, discontinued or held for sale		2
Net income from continuing operations	**20**	**(378)**
(Profit) / loss of joint ventures and associates	13	(9)
Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months	225	855
Net increase in (reversal of) provisions	(74)	(165)
Net effect of unwinding of assets and provisions	100	234
Income tax expense (current and deferred)	4	49
Net interest included in borrowing costs	64	145
Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value	(24)	(253)
Other non-cash items	3	15
Cash flow from operations before interest and taxes	**330**	**493**
Net interest received (paid)	(140)	(75)
Income tax paid	(75)	(234)
Cash flow from operations after interest and tax	**115**	**184**
Change in working capital requirement	88	(79)
NET CASH FROM OPERATING ACTIVITIES	**202**	**105**
Investment in PP&E and intangible assets	(206)	(284)
Loans granted and acquisitions of non-current financial assets	(1,568)	(1,787)
Acquisitions of shares of consolidated companies, net of acquired cash	-	(62)
Disposals of PP&E and intangible assets	52	2
Loan repayments and disposals of non-current financial assets	784	1,736
Disposals of shares of consolidated companies, net of disposed cash	-	4
NET CASH FLOW FROM INVESTING ACTIVITIES	**(938)**	**(391)**
Share issues in the parent company and share issues subscribed by minority shareholders in consolidated subsidiaries (see Note 19)	-	2,500
Transactions with minority interests	(6)	(104)
Dividends paid to minority shareholders of consolidated companies	-	(24)
Increase in borrowings (see Note 23)	9	20
Reduction in borrowings (see Note 23)	(844)	(18)
Change in other borrowings (see Note 23)	3	(10)
Cash flow related to contributions	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**(838)**	**2,366**
(Increase) decrease in securities recognized at fair value through profit and loss		-
Impact of foreign exchange movements	-	(14)
Net cash generated by operations sold, discontinued or held for sale	-	2
CHANGE IN NET CASH	**(1,573)**	**2,067**
Net cash at the beginning of the year	**3,450**	**1,382**
Net cash at the end of the period (see Note 18)	1,950	3,504
Less: short-term bank facilities and current accounts in credit (see Note 23)	(73)	(54)
Net cash from operations held for sale	-	-
Net cash at the end of the year	**1,877**	**3,450**

Consolidated statement of changes in equity

(in millions of euros)	Number of shares outstanding	Capital	Consolidated premiums and reserves	Actuarial losses on employee benefits	Deferred unrealized gains and losses on financial instruments	Currency translation reserves	Total equity attributable to owners of the parent	Minority interests	Total equity and minority interests
JANUARY [1], 2017	**105,661,110**	**53**	**(1,120)**	**(157)**	**136**	**113**	**(976)**	**(40)**	**(1,016)**
Net income for the year			(260)				(260)	(120)	(380)
Other items of comprehensive income (see Note 8)				35	130	(181)	(16)	(13)	(29)
Comprehensive income			**(260)**	**35**	**130**	**(181)**	**(276)**	**(133)**	**(409)**
Dividends paid								(32)	(32)
Other transactions with shareholders (see Note 19)	132,076,390	66	2,426				2,492		2,492
Transactions with companies under joint control (see Note 19)			(85)				(85)		(85)
AUGUST 31, 2017	**237,737,500**	**119**	**960**	**(123)**	**265**	**(68)**	**1,154**	**(204)**	**950**
Net income for the year			8				8	12	20
Other items of comprehensive income (see Note 8)				(41)	40	(11)	(12)		(12)
Comprehensive income			**8**	**(41)**	**40**	**(11)**	**(4)**	**12**	**8**
Dividends paid									
Other transactions with shareholders (see Note 19)			(6)				(6)		(6)
DECEMBER 31, 2017	**237,737,500**	**119**	**963**	**(164)**	**305**	**(79)**	**1,144**	**(192)**	**952**

Operating segments

BY BUSINESS SEGMENT

December 31, 2017 **(4 months)**

Income

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate, other operations and eliminations**	**Total**
Gross revenue	**509**	**513**	**584**	**(21)**	**1,585**
Inter-segment sales	(3)	(21)	(16)	40	-
Contribution to consolidated revenue	507	492	567	19	**1,585**
Operating income	154	104	39	(53)	**244**
EBITDA (see Note 6)	**234**	**124**	**80**	**(97)**	**342**
% of gross revenue	*46.1%*	*24.2%*	*13.8%*	*n/a*	*21.6%*

The fraction of the group's total revenue with its principal customer, EDF, was about 24% of total revenue at December 31, 2017 for a four-month period (as compared to 41% at August 31, 2017 for an eight-month period).

Balance sheet

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate, other operations and eliminations**	**Total**
PP&E and intangible assets (including goodwill)	2,845	4,191	2,530	62	**9,628**
Assets earmarked for end-of-lifecycle operations	-	1,798	5,196	271	**7,265**
Other non-current assets	-	-	-	225	**225**
Subtotal: Non-current assets	**2,845**	**5,989**	**7,726**	**558**	**17,118**
Inventories and receivables (excluding tax receivables)	508	1,068	921	483	**2,979**
Other current assets	-	-	-	2,116	**2,116**
Subtotal: Current assets	**508**	**1,068**	**921**	**2,598**	**5,095**
TOTAL ASSETS	**3,352**	**7,057**	**8,647**	**3,156**	**22,212**

August 31, 2017 (8 months)

Income

(in millions of euros)	Mining	Front End	Back End	Corporate, other operations and eliminations	Total
Gross revenue	**791**	**404**	**1,141**	**3**	**2,339**
Inter-segment sales	(3)	(4)	(26)	33	-
Contribution to consolidated revenue	787	401	1,115	36	**2,339**
Operating income	(46)	(92)	38	(182)	**(281)**
EBITDA (see Note 6)	**406**	**157**	**164**	**(126)**	**602**
% of gross revenue	*51.4%*	*39.0%*	*14.4%*	*n/a*	*25.8%*

Balance sheet

(in millions of euros)	Mining	Front End	Back End	Corporate, other operations and eliminations	Total
PP&E and intangible assets (including goodwill)	2,909	4,201	2,507	62	**9,678**
Assets earmarked for end-of-lifecycle operations	2	1,592	4,536	246	**6,376**
Other non-current assets	-	-	-	309	**309**
Subtotal: Non-current assets	**2,911**	**5,793**	**7,043**	**617**	**16,364**
Inventories and receivables (excluding tax receivables)	562	1,038	1,101	478	**3,179**
Other current assets	-	-	-	3,655	**3,655**
Subtotal: Current assets	**562**	**1,038**	**1,101**	**4,133**	**6,834**
TOTAL ASSETS	**3,473**	**6,831**	**8,144**	**4,749**	**23,198**

BY REGION

December 31, 2017 (4 months)

Contribution to consolidated revenue by business segment and customer location

(in millions of euros)	Mining	Front End	Back End	Corporate and other operations	Total
France	78	121	345	11	**555**
Europe (excluding France)	38	123	67	7	**235**
North & South America	83	104	97	1	**285**
Asia-Pacific	269	122	54	0	**446**
Africa and Middle East	38	22	4	-	**64**
Total	**507**	**492**	**567**	**19**	**1,585**

Closing balances of net property, plant and equipment and intangible assets (excluding goodwill) at December 31, 2017 by business segment and region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	76	4,022	2,262	38	**6,397**
Europe (excluding France)	141	-	2	-	**143**
North & South America	1,433	6	43	6	**1,488**
Asia-Pacific	4	-	-	-	**4**
Africa and Middle East	403	-	-	-	**403**
TOTAL	**2,057**	**4,027**	**2,306**	**44**	**8,435**

Acquisitions of property, plant and equipment and intangible assets (excluding goodwill) in the four-month period ended December 31, 2017 by business segment and region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	-	60	84	1	**145**
Europe (excluding France)	11	-	-	-	**11**
North & South America	30	-	5	-	**35**
Asia-Pacific	3	-	-	-	**3**
Africa and Middle East	11	-	-	-	**11**
TOTAL	**55**	**60**	**89**	**1**	**205**

August 31, 2017 (8 months)

Contribution to consolidated revenue by business segment and customer location

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	246	194	759	29	**1,228**
Europe (excluding France)	44	20	135	6	**205**
North & South America	103	111	167	-	**381**
Asia-Pacific	383	69	53	-	**505**
Africa and Middle East	11	7	1	-	**19**
TOTAL	**787**	**401**	**1,115**	**35**	**2,339**

Closing balances of net property, plant and equipment and intangible assets (excluding goodwill) at August 31, 2017 by region and by business segment

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	81	4,034	2,230	38	**6,383**
Europe (excluding France)	146	-	1	-	**147**
North & South America	1,481	6	49	6	**1,541**
Asia-Pacific	2	-	-	-	**2**
Africa and Middle East	401	-	-	-	**401**
TOTAL	**2,110**	**4,040**	**2,280**	**45**	**8,474**

Acquisitions of property, plant and equipment and intangible assets (excluding goodwill) for the 8-month period ended August 31, 2017 by business segment and by region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	-	84	129	1	**215**
Europe (excluding France)	19	-	2	-	**21**
North & South America	13	-	6	-	**20**
Asia-Pacific	1	-	-	-	**1**
Africa and Middle East	22	-	-	-	**22**
TOTAL	**56**	**84**	**137**	**1**	**279**

Notes to the consolidated financial statements for the period ended December 31, 2017

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

INTRODUCTION

In accordance with Article L. 233-16 of the French Commercial Code, Orano SA (formerly known as New AREVA Holding) holds securities admitted to trading on a regulated market and is therefore required to publish consolidated financial statements. The consolidated financial statements for the period ended December 31, 2017 were approved by Orano's Board of Directors on March 28, 2018.

Note 1 – HIGHLIGHTS OF THE PERIOD, ESTIMATES AND JUDGMENTS, AND ACCOUNTING PRINCIPLES

1.1 HIGHLIGHTS

Constitution of the Orano group

The AREVA group's restructuring resulted in particular in the creation of New AREVA, a group focused on the mining, conversion-enrichment, spent fuel recycling, nuclear logistics, dismantling and engineering aspects of the cycle.

The first stage of the restructuring took place on November 10, 2016, with the completion of AREVA SA's contribution to New AREVA Holding of all subsidiaries and interests operating in the nuclear fuel cycle.

In 2017, the final changes were made to the scope of the nuclear fuel cycle activities, finalizing Orano's scope of consolidation.

On January 22, 2018, the Extraordinary General Meeting of New AREVA Holding approved the Company's change of name and adopted "Orano" as the new corporate name. The corporate names of the group's main subsidiaries were also modified so as to remain consistent with the new name.

As such, in this document, the terms "Orano SA" and the "Company" refer to the public limited company Orano, known as New AREVA Holding until January 22, 2018, and also known as NewCo pending the change in name. The terms "group" or "Orano" refer to the group of companies formed by Orano SA and its subsidiaries and interests, both direct and indirect. Subsidiaries are also referred to by their new legal names.

Recapitalization of the Company by the French State and investment by the CEA in the Company's capital

In 2016, as part of the restructuring of the AREVA group, the French authorities notified the European Commission of a restructuring aid measure which took the form of twin capital increases by the injection of public capital on the one hand, in the amount of 2 billion euros in AREVA SA, and on the other, a maximum amount of 2.5 billion euros in New AREVA Holding.

On January 10, 2017, after examination of the proposal, the European Commission authorized the French State to take part in the capital increases of AREVA SA and the Company subject to:

- the authorization by the European Commission of the merger between EDF and New NP (the entity known as Framatome since January 4, 2018);
- the findings of the French Nuclear Safety Authority (*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 this segregation or, alternatively, a decision by EDF, duly notified to AREVA SA in view of the sale of New NP (the entity known as Framatome since January 4, 2018), to lift the condition precedent related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of the reactor vessel.

On July 12, 2017, the Board of Directors of the Company, noting the lifting of the preconditions set by the European Commission, decided to make use of the delegation of authority granted by the General Meeting of February 3, 2017 by carrying out a capital increase reserved for the French State. This capital increase of 2.5 billion euros was carried out on July 26, 2017.

On August 16, 2017, the Minister of the Ecological and Solidarity Transition, the Minister of Defense, the Minister of the Economy and Finance, the Minister of Public Accounts and Government Action, and the Minister of Higher Education, Research and Innovation signed an order approving the sale by the State of 12,774,283 shares of the Company to the Commissariat for Atomic Energy and Alternative Energy (CEA). Pursuant to this order, the French State transferred 5.4% of the capital of the Company to the CEA on September 22, 2017.

Change of the closing date

The capital increase of 2.5 billion euros reserved for the French State on July 26, 2017 had the effect of reducing AREVA SA's stake in the Company's capital from 100% to 44.4%, thereby removing Orano from the tax consolidation group initially formed around AREVA SA.

As such, and in order to constitute the Company's own tax consolidation group from September 1, 2017, the Combined General Meeting of the Company of July 27, 2017 resolved to temporarily modify the closing date of the financial year, by bringing forward the close of the financial period begun on January 1, 2017 to August 31, 2017 (eight-month financial period), and to return to a closing date on December 31 starting with the financial period beginning on September 1, 2017 (four-month financial period).

For this purpose, the Company prepared consolidated financial statements for an eight-month period ended August 31, 2017. For the closing at December 31, 2017, Orano prepared consolidated financial statements for the four-month period ended December 31, 2017. Specific consolidated financial statements for the 12 months ended December 31, 2017 were also prepared on a voluntary basis.

The formation of the French tax consolidation group around the Company on September 1, 2017 has allowed Orano since that date, as authorized by law, to offset the profit and loss of the main French companies comprising its tax group – including Orano SA – in order to determine the tax expense paid in France after offsetting by Orano SA as parent company.

The consolidated financial statements present all information required for the fiscal year ended December 31, 2017 with an exceptional duration of eight months. As such, these financial statements are not comparable with those of the previous period (covering a period of eight months).

Capital increases reserved for JNFL and MHI

Under the terms of the Investment Protocol and the Shareholders' Agreement dated March 13, 2017, and their amendments dated July 26, 2017, industrial groups Mitsubishi Heavy Industries (MHI) and Japan Nuclear Fuel Ltd (JNFL), the French State and AREVA agreed to two capital increases reserved for MHI and JNFL, each of 5% and in a cumulative amount of 500 million euros, subject to the fulfillment of conditions precedent, including the recapitalization of the Company by the French State, the transfer of majority control of New NP to EDF, and the satisfaction of standard conditions in the matter of acquisitions of equity interests.

The capital increases reserved for MHI and JNFL were carried out on February 26, 2018, when the funds that had been placed in trust on July 26, 2017, at the time of the completion of the capital increase subscribed by the French State, were released and used to allow JNFL and MHI to subscribe for the second capital increase of Orano SA.

Following this transaction, Orano SA's shareholding structure is now as follows: 45.2% for the French State, 4.8% for the CEA, 40% for AREVA SA, 5% for JNFL and 5% for MHI.

Liquidity position and continuity of operations

Orano confirms its objective of generating positive net cash flow from operations from the 2018 financial year. Orano's short-term borrowings amounted to 429 million euros as of December 31, 2017, including:

- the maturity in September 2018 of a bond of approximately 59 million euros, plus 52 million euros in interest;
- amortization of the loan backed by certain future revenues of the Georges Besse II enrichment plant in the amount of 60 million euros;
- interest-bearing advances in the amount of 137 million euros;
- short-term bank facilities and current accounts in credit in the total amount of 73 million euros.

Orano had a gross cash position of 1.95 billion euros as of December 31, 2017 to meet these commitments and ensure the continuity of its operations over the longer term. In addition, the 0.5 billion euro capital increase reserved for third-party investors was completed on February 26, 2018.

These financial resources are intended to enable Orano to pursue its development and to finance itself autonomously in the markets in the medium term. Beyond the next 12 months, the first significant debt maturity is a 750 million euro bond due on November 6, 2019.

1.2 ESTIMATES AND JUDGMENTS

To prepare its financial statements, AREVA must make estimates, assumptions and judgments impacting the carrying amount of certain assets and liabilities, income and expense items, or information provided in some notes to the financial statements. Orano updates its estimates and judgments on a regular basis to reflect past experience and other factors deemed pertinent, based on economic conditions. As a function of changes in these assumptions or in circumstances, the amounts appearing in its future financial statements may differ from current estimates, particularly in the following areas:

- operating margins on contracts recognized according to the percentage of completion method (see Notes 1.3.3 and 22), which are estimated by the project teams and reviewed by management following the group's procedures;
- cash flow forecasts and the discount and growth rates used for impairment tests for goodwill and other plant, property and equipment and intangible assets (see Notes 9, 10 and 11);
- all assumptions used to assess the value of pension commitments and other employee benefits, including future payroll escalation and discount rates, retirement age and employee turnover (see Notes 1.3.9 and 21);
- all assumptions used to assess the value of provisions for end-of-lifecycle operations and, where appropriate, the assets corresponding to the third-party share, in particular:
  - the estimated costs of those operations,
  - the inflation and discount rates,
  - the schedule of future disbursements,
  - the operating period of the facilities (see Notes 1.3.11 and 12),
  - the scenario chosen with regard to knowledge of the initial condition of the facilities, of the target final condition, and of the waste treatment and removal methods,
  - the procedures for final shut-down;
- assumptions used to measure provisions for contract completion, in particular for waste treatment sectors not existing to date: projected costs of these operations, the provisional expenditure schedule, the inflation rate and the discount rate;
- estimates and judgments regarding the outcome of disputes in progress and, more generally, estimates regarding all of the provisions and contingent liabilities of Orano (see Notes 1.3.10 and 22);
- estimates and judgments relative to the recoverability of accounts receivable from the group's customers and other accounts receivable (see Note 1.3.6);
- estimates and judgments regarding the material or durable nature of the impairment of available-for-sale financial assets (see Notes 1.3.7, 12 and 14);
- estimates of future taxable income used to recognize deferred tax assets (see Notes 1.3.16 and 8).

1.3 ACCOUNTING PRINCIPLES

Pursuant to European Regulation 1606/2002 of July 19, 2002, Orano's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as of December 31, 2017. They include the International Accounting Standards (IAS), the IFRS and the interpretations issued by the IFRS Interpretations Committee (IFRS-IC) and by the former Standing Interpretation Committee (SIC). These financial statements are also consistent with IFRS standards drawn up by the International Accounting Standards Board (IASB), insofar as the mandatory adoption date of the standards and amendments published by the IASB and not yet adopted by the European Union at December 31, 2017 is later than that date.

Standards and amendments adopted by the European Union whose application is mandatory for periods beginning on or after January 1, 2017

Standards adopted by the European Union and whose application is mandatory for periods beginning on or after January 1, 2017 are as follows:

- amendments to IAS 12 "Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses". These amendments did not have a material impact on the group's consolidated financial statements;
- amendments to IAS 7 "Statement of Cash Flows: Disclosure Initiative". These amendments require companies to disclose information allowing a reconciliation between the opening and closing balance liabilities and financial assets presented in the "Net cash from (used in) financing activities" section of the cash flow statement, distinguishing between cash and non-cash movements (see Note 23).

Standards adopted by the European Union but whose application is mandatory after December 31, 2017

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 fiscal years beginning on or after 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 (or micro-hedge) accounting.

Classification and measurement

In the first phase of the standard's application, the group's portfolio of financial assets, mainly earmarked to cover end-of-lifecycle operations and trade receivables, was the subject of a detailed review to determine the classification and measurement approach for each asset class under IFRS 9, based on the characteristics of the relevant contractual flows, and their business model.

In view of the findings of this review, the group chose not to modify the management of its earmarked funds (including investment funds), and to apply by default the treatment used for equity instruments.

Insofar as most of the portfolio of end-of-lifecycle assets is currently classified as available-for-sale financial assets in accordance with IAS 39, the expected impact of IFRS 9 on the classification of earmarked assets is confined to certain assets currently classified as held-to-maturity investments. The remeasurement of these assets at fair value will have a limited impact on shareholders' equity as of January 1, 2018.

For earmarked assets currently classified as available-for-sale financial assets, the cumulative change in fair value as of January 1, 2018 will be reclassified as reserves in the amount of 298 million euros before tax.

Generally speaking, the main impacts expected from the application of IFRS 9 are an increase in volatility in the statement of income. However, the group will continue to prioritize optimization of returns on the assets in the earmarked funds, independently of the volatility that their recognition will trigger in the financial statements.

Impairment
Phase 2 of the “Impairment” standard introduces a new credit risk impairment model based on expected credit losses. This model requires the recognition of 12-month expected credit losses on purchased or originated instruments (resulting from the risk of defaults in the next 12 months) at their initiation. Full lifetime expected credit losses (resulting from the risk of defaults over the remaining life of the instrument) will have to be recognized if the credit risk has increased significantly since initial recognition.

The group has reviewed the rules used to assess the deterioration of credit risk and the determination of expected losses, at one year and at maturity. The analyses performed, which covered all relevant financial assets, chiefly bonds, the claim on the CEA and trade receivables that will be recorded at amortized cost, showed the expected credit loss at the end of 2017 to be immaterial.

Hedge accounting
Phase 3 “Hedging” aims to align hedge accounting more closely with risk management. Based on the work conducted to date, the group does not expect material impacts in its consolidated financial statements. It has also elected to continue applying the hedge accounting provisions of IAS 39 when first applying IFRS 9.

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 is mandatory for fiscal years beginning on or after January 1, 2018. It replaces several standards and interpretations related to recognition of revenue, in particular IAS 18 “Revenue” and IAS 11 “Construction Contracts”. This standard is based on detailed principles for determining when and how much revenue should be recognized.

Analysis carried out by the group has served to identify the main issues liable to have an impact on revenue, particularly as regards the timing of its recognition:

- customer-funded investments: IFRS 15 requires the identification of performance obligations in the contract, which correspond to goods or services whose control is transferred to the customer. Contracts involving customer-funded investments must be analyzed to determine whether control of the financed asset is transferred to the customer, in which case the provision of the said asset becomes a performance obligation distinct from the services rendered by virtue of the asset in question. In this case, the funding received is allocated to the provision of the asset and is recognized in revenue as the control of the asset is transferred. Otherwise, the funding received is allocated to services rendered by virtue of the asset in question, and recognized as revenue as the underlying services are rendered. Funding received is currently recognized as revenue over the construction period of the assets;

- significant financing components: IFRS 15 requires that the transaction price be adjusted in the event that one of the parties to the contract receives a significant advantage from the other party related to the financing of the provision of goods or services to the customer (characterized as a significant time lag between the transfer of control of the goods or services and their payment). This results in an increase in revenue as compared to the nominal amounts of the contract to reflect a financial expense when the group receives financing, or a decrease in revenue as compared to the nominal amounts of the contract to reflect financial income when the group provides financing. The procedures for recognition and measurement of financing components under IFRS 15 differ from current practices;

- rate of recognition of revenue: IFRS 15 requires that revenue be recognized on a percentage-of-completion basis when certain criteria are met. Otherwise, revenue is recognized upon completion. In view of the current portfolio of contracts, the group has not identified a change in the recognition method of revenue.

Generally speaking, the application of IFRS 15 will have a limited impact on the main aggregates of the group's statement of income. A negative impact is expected on the net opening position as of September 1, 2017, as well as a significant increase in the backlog, resulting notably from the treatment of financed investments in Back End activities.

IFRS 15 will be applied by the group starting January 1, 2018 using the "full retrospective approach. As a result, the 2017 comparative financial statements presented in the 2018 financial statements will be restated, and opening shareholders' equity as of September 1, 2017 will be adjusted for the effects of the application of the new standard.

IFRS 16 "Leases"

IFRS 16 "Leases", adopted by the European Union on October 31, 2017, will replace IAS 17. It will be mandatory for fiscal years beginning on or after January 1, 2019.

The group has begun the process of identifying its leases, which mainly cover real estate, industrial equipment and transportation equipment. The group does not plan to apply this standard in advance, and is considering applying the simplified transition method.

New standards and amendments published by the IASB but not yet adopted by the European Union

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration": subject to its adoption by the European Union, this interpretation will be applied prospectively by the group as of January 1, 2018. This interpretation states that when paying or receiving an advance of a non-monetary nature in foreign currency, the amount must be recorded at the rate applying on the date of the transaction, without any subsequent revaluation. Based on analyses conducted to date, the group does not expect the future application of IFRIC 22 to have a significant impact on its consolidated financial statements;
- amendments to IAS 40 "Investment Property": "Transfers of investment property" and amendments to IFRS 2 "Share-based Payment": "Classification and measurement of share-based payment transactions" (effective date: January 1, 2018). The group does not expect these amendments to have an impact on its consolidated financial statements;
- amendments to IFRS 4: application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts";
- annual improvements, 2014-2016 cycle; the group is currently analyzing the potential impacts of these improvements;
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective date: January 1, 2019). IFRIC 23 clarifies the application of IAS 12 "Income Taxes" as regards recognition and measurement when there is uncertainty over the treatment of income taxes. Work is underway to estimate the potential impact of this interpretation;
- amendments to IAS 28 "Investments in Associates and Joint Ventures": "Long-term interest in associates and joint ventures" (effective date: January 1, 2019). The group does not expect these amendments to have an impact on its consolidated financial statements;
- amendments to IFRS 9 "Prepayment features with negative compensation", effective January 1, 2019 with earlier application permitted;
- annual improvements, 2015-2017 cycle; the group is currently analyzing the potential impacts of these improvements;
- IFRS 17 "Insurance Contracts" (effective date: January 1, 2021). This new standard, which will replace IFRS 4, lays down new recognition, measurement and presentation rules for insurance contracts falling within its scope. Work will be conducted to estimate the potential impact of this new standard.

1.3.1. Operating segments

Orano reports its segment information by business line, which corresponds to the level at which performance is reviewed by the group's management, in accordance with the requirements of IFRS 8. The three operating segments presented are: Mining, Front End and Back End.

Orano has adopted centralized management of financial assets and liabilities and tax matters. Therefore, the corresponding balance sheet and statement of income items are not assigned to business operations.

Orano also publishes information by region: Orano's consolidated revenue is broken down between the following five regions by destination of sales: France, Europe excluding France, America (North and South), Asia-Pacific, Africa and Middle East.

1.3.2. Recognition of revenue

Revenue includes:

- revenue from construction contracts and certain services recognized according to the percentage of completion method in accordance with IAS 11 (see Note 1.3.3);
- revenue from other sales of goods and services recognized when most of the risk and rewards are transferred to the customer in accordance with IAS 18.

With regard to commodity trading (uranium), revenue consists simply of the margin obtained by the entity making the sale.

1.3.3. Revenue recognized according to the percentage of completion method

Revenue and margins on construction contracts and certain services are recognized according to the percentage of completion method (PCM), as provided in IAS 11 for construction contracts and in IAS 18 for services.

In applying this method, revenue and profit on contracts are recognized as and when progress on the work is completed. The group uses the cost-based PCM formula, whereby the percentage of completion is the ratio of costs incurred (the costs of work or services performed and confirmed at the end of the accounting period) to the total anticipated cost of the contract. This ratio may not exceed the percentage of physical or technical completion at the end of the accounting period.

When financial contract terms translate into significant cash surpluses during all or part of the contract's performance, the resulting financial income is included in contract income and recognized in revenue based on the percentage of completion.

Orano initially elected not to include financial expenses in the cost of contracts generating a cash loss, as previously allowed under IAS 11. This option is no longer applicable to contracts on which costs have been incurred since January 1, 2009: the financial expenses generated by these contracts are factored into the calculation of the projected profit upon completion.

When estimated income at completion is negative, the loss at completion is recorded immediately in income, after deduction of any already recognized partial loss, and a provision is set up accordingly.

1.3.4. Valuation of property, plant and equipment and intangible assets

1.3.4.1. Initial recognition

Property, plant and equipment and intangible assets are valued using the amortized cost method.

1.3.4.2. Inclusion of borrowing costs

Borrowing costs are not included in the valuation of property, plant and equipment and intangible assets:

- placed in service before January 1, 2009; or
- placed in service after that date but for which expenses had been incurred and recognized as assets in progress at December 31, 2008.

In accordance with the amended IAS 23 accounting standard, effective as from January 1, 2009, the borrowing costs related to investments in property, plant and equipment and intangible assets for projects initiated after that date and for which the period of construction or development is more than one year are included in the costs of these assets.

1.3.4.3. Intangible assets

Research and development expenses

Research expenses incurred by Orano on its own account are expensed as incurred.

Research and Development expenses funded by customers under contracts are included in the production cost of these contracts and recorded under cost of sales when the corresponding revenue is recognized in income.
As provided in IAS 38, expenses relating to development projects are recorded as intangible assets if the project meets the six criteria of IAS 38.

Capitalized development costs are then amortized over the probable useful life of the intangible asset, as from the commissioning date. They are depreciated on a straight-line basis over a minimum period of time.

Mineral exploration and pre-mining development

Mineral exploration and pre-development work are valued according to the following rules:

- exploration expenses whose purpose is to identify new mineral resources, and expenses related to assessments and pre-development of identified deposits are incurred before project profitability is determined and are recognized as research and development expenses for the period;
- pre-mining development expenses concern a project which, as of the date of the financial statements, has a strong chance of technical success and commercial profitability, and are capitalized. Indirect costs, excluding overhead expenses, are included in the valuation of these costs. Capitalized pre-mining expenses are amortized in proportion to the number of tons mined from the reserves they helped identify.

Other intangible assets

An intangible asset is recognized when it is probable that future economic benefits therefrom will accrue to the company and if the cost of this asset can be reliably estimated based on reasonable and documented assumptions.

Intangible assets are recorded at their acquisition or production cost.

Goodwill and trademarks produced internally are not capitalized.

Depreciation of intangible assets is calculated using the most appropriate method for the asset category (straight-line depreciation or as a function of the production units), starting on the date they were placed in service and over the shorter of their probable period of use or, when applicable, the length of their legal protection.

An intangible asset whose useful life is not defined, such as a brand, is not amortized, but is subject to impairment tests.

1.3.4.4. Property, plant and equipment

Property, plant and equipment are recognized at acquisition or production cost, including startup expenses, less cumulative depreciation and impairment.

The cost of nuclear facilities includes the group's share of provisions for end-of-lifecycle operations, estimated at the date they are placed in service, termed "end-of-lifecycle assets – group share" (see Note 1.3.11). In accordance with IFRIC 1, changes in provisions for end-of-lifecycle operations coming from changes in estimates or calculation assumptions and relating to nuclear facilities in operation are offset by a change in the same amount of the assets to which these provisions relate.

Property, plant and equipment are depreciated based on the approach deemed most representative of the economic depreciation of the assets (straight-line depreciation or as a function of the production units); each component is depreciated over its specific useful life.

Mining land is depreciated over the operating period of the deposit; site layout and preparation expenses are depreciated over 10 years; buildings over 10 to 45 years; production facilities, equipment and tooling other than nuclear facilities over 5 to 10 years; general facilities and miscellaneous fixtures over 10 to 20 years; and transportation equipment, office equipment, computer equipment and furniture over 3 to 10 years.

The nuclear facilities are depreciated on a straight line over their useful life, measured by taking into account the duration of the portfolios of existing or reasonably foreseeable contracts performed in those facilities.

Depreciation periods are revised if the group's backlog changes significantly.

Changes in the asset value of those facilities, recognized as an offset to changes in the value of provisions for the corresponding end-of-lifecycle operations, as explained above, are depreciated prospectively over their remaining useful life.

Assets financed under leasing arrangements, which transfer, in substance, nearly all the risks and rewards inherent in ownership of the asset to Orano, are recognized in the statement of financial position as property, plant and equipment assets and depreciated as indicated above. Assets financed by customers are depreciated over the term of the corresponding contracts.

1.3.4.5. Impairment of property, plant and equipment, intangible assets and goodwill

Impairment tests on goodwill and intangible assets with indefinite useful lives are systematically performed at least once a year. These tests are performed at the level of the cash-generating units (CGU) to which goodwill and intangible assets belong. In addition, tests are performed on property, plant and equipment and intangible assets with a finite useful life when there is evidence of loss of value.

The group performs asset impairment tests based on its best estimate of their recoverable value, which corresponds to the higher of their net realizable value or their estimated value in use, based on projected cash flows resulting from the strategic plan, the mining plans and the assumptions they contain.

Impairment is recognized when the recoverable amount is less than the net carrying amount of the assets belonging to it. The recoverable amount is the higher of:

- its fair value less disposal costs, corresponding to the net realizable value based on observable data when available (recent transactions, offers received from potential acquirers, reported ratios for comparable publicly traded companies, multiples of uranium resources in the ground obtained by comparing the market capitalizations of comparable companies with the stated reserves or resources of deposits) or on analyses conducted by internal or external experts of the group;
- its value in use, which is equal to the present value of the estimated future cash flows it generates, plus its "terminal value", corresponding to the present value of cash flows for the "base" year, discounted to infinity, estimated at the end of the future cash flow period. However, some CGUs have a finite life (depending on the volume of ore resources in Mining or the duration of operating permits in the nuclear businesses); in this case, the cash flows taken into account to assess their value in use are not discounted to infinity but within the limit of their expected operating life.

1.3.5. Inventories and work-in-process

Financial expenses and research and development costs borne by Orano are not taken into account in the valuation of inventories and work-in-process. However, the cost of Research and Development programs funded by customers is recognized in inventories and work-in-process, as is amortization of capitalized development expenditures.

The costs incurred to get a contract from a customer ("proposal costs") are recognized in work-in-process when there is a high probability on the date of year-end closing that the contract will be signed; in the opposite case, the proposal costs are recognized in profit and loss under "Marketing and sales expenses" and "General and administrative expenses.

1.3.6. Trade accounts receivable

Trade accounts receivable, generally due in less than one year, are recognized using the "amortized cost" method.

An impairment charge is recognized to reflect the probable recovery value when collection is not assured.

1.3.7. Financial assets

Financial assets consist of:

- financial assets earmarked for end-of-lifecycle operations;
- other available-for-sale securities;
- loans, advances and deposits;
- securities held for trading;
- put and call options on securities;
- derivatives used for hedging (see Note 1.3.15);
- cash and cash equivalents.

They are valued in accordance with IAS 39.

Regular purchases and sales of financial assets are recognized at the date of transaction.

1.3.7.1. Assets earmarked for end-of-lifecycle operations

This item combines all of the investments that Orano has decided to earmark to the funding of its future end-of-lifecycle operations for nuclear activities, namely dismantling of facilities and waste retrieval and packaging It includes directly-held publicly traded shares and bonds, dedicated share investment funds, dedicated bond and money-market investment funds, and cash. It also includes receivables resulting from agreements with third parties liable for payment of a share of the financing of end-of-lifecycle operations. These receivables are recognized using the method described in Note 1.3.6.

- publicly traded shares are classified as "available-for-sale securities" defined in IAS 39. They are recognized at their fair value, corresponding to the last traded price of the year. Changes in value are recorded under "Other items of comprehensive income" and are presented on the balance sheet in their after-tax amount under "Deferred unrealized gains and losses on financial instruments", except for lasting impairment, which is recorded in net financial income for the year;

- Orano does not consolidate the assets of its earmarked investment funds line by line, insofar as it does not control them within the meaning of IFRS 10:
  - Orano is not involved in the management of the earmarked investment funds, which are managed by front-ranking independent management companies. These investment funds are benchmarked to the MSCI index of large European capitalizations, with strict limits on risk. Furthermore, the funds are regulated by the French stock market authority AMF (*Autorité des marchés financiers*) and therefore subject to regulations governing investment and concentration of risk,
  - Orano does not control the management companies of its investment funds,
  - Orano does not hold voting rights in the investment funds,
  - the investment funds do not trade directly or indirectly in financial instruments issued by Orano,
  - none of the financial investments made by the funds are strategic to Orano,
  - Orano receives no benefit and bears no risk other than that normally associated with investments in mutual funds and in proportion to its holding,
  - Orano may only terminate the management agreements in specific cases (gross negligence, fraud, etc.). This means that Orano cannot replace a fund's management company at will;

Accordingly, the earmarked investment funds are recorded on a single line in the balance sheet in an amount corresponding to Orano's share of their net asset value as of the end of the period.

In view of the long-term investment objective, investment funds earmarked to fund end-of-lifecycle operations are classified as "available-for-sale securities". Consequently, the accounting treatment of changes in value and the methods of assessing and recognizing impairment are identical to those applicable to traded shares held directly

- As an exception to the rules described above, bonds held directly as well as certain dedicated investment funds consisting exclusively of bonds held to maturity are classified in the "securities held to maturity" category and valued using the amortized cost method.

1.3.7.2. Other available-for-sale securities

This item includes other shares held by Orano in listed companies, with the exception of those held in joint ventures and associates consolidated by the equity method, and those held for trading purposes.

These shares are valued in the same manner as shares allocated to the dedicated portfolio:

- fair value equal to the last traded price of the year;
- changes in fair value recorded under "Other items of comprehensive income", except for lasting impairment, which is recognized in net financial income.

It also includes equity securities representing the group's interests in the capital of companies that it does not consolidate, either because Orano does not exercise control or have significant influence over them, or because of their immaterial nature. Securities of this nature are valued at their acquisition cost when their fair value cannot be estimated reliably. This is the case for unlisted equity securities in particular.

1.3.7.3. Lasting impairment of financial assets earmarked for end-of-lifecycle operations and other available-for-sale securities

Lasting impairment is recognized in the event of a significant or prolonged drop in the price or net asset value of a line of securities below their initial value. This impairment is calculated as the difference between the prices traded on the stock market or the net asset value of the securities on the last day of the period and their initial value, corresponding to their historical acquisition cost.

Orano determines the significant or prolonged nature of a fall in the price or net asset value of a line of securities by using differentiated criteria based on:

- the investment vehicles in question, bearing in mind that volatility and risks can vary substantially: money-market, bond or equity funds; bonds or equities held directly;
- whether or not they are earmarked for end-of-lifecycle operations: the legal framework governing assets earmarked for end-of-lifecycle operations requires them to be held for a very long period, with the timeframe for the expenses covered extending beyond 2050.

Orano has accordingly established thresholds beyond which it considers that a drop in the price or net asset value of a line of securities is significant or prolonged and requires the recognition of other-than-temporary impairment. The impairment is measured for significance by comparing the price or net asset value of the line of securities with its historical acquisition cost. The prolonged nature of a drop is measured by observing the length of time during which the price or net asset value of the line of securities continued to be below its historical acquisition cost.

The drop is always considered significant or lasting if it exceeds the following thresholds, which are objective indicators of impairment:

	Significant	Lasting
Assets earmarked for end-of-lifecycle operations		
• Money-market investment funds	5%	1 year
• Bond investment funds and bonds held directly	25%	2 years
• Equity investment funds	50%	3 years
• Directly held shares	50%	3 years
Other available-for-sale securities		
• Directly held shares	50%	2 years

Securities that have fallen below these thresholds are not subject to other-than-temporary impairment unless other available information on the issuer indicates that the decline is probably irreversible; in such cases, Orano uses its own judgment to determine whether other-than-temporary impairment should be recognized.

These thresholds are likely to be re-estimated over time as a function of changes in the economic and financial environment.

Other-than-temporary impairment of available-for-sale securities is irreversible: it can only be recovered through profit or loss when the securities in question are sold. An increase in prices or in net asset value subsequent to the recognition of impairment is recorded as a change in fair value under “Other items of comprehensive income”. Any additional loss of value affecting a line of previously impaired securities is recorded as additional impairment in net financial income for the year.

1.3.7.4. Loans, advances and deposits

This heading mainly includes loans related to unconsolidated interests, advances for acquisitions of interests, and security deposits.

These assets are valued at amortized cost. Impairment is recognized when the recoverable amount is less than the net carrying amount.

1.3.7.5. Securities held for trading

This heading includes investments in equities, bonds and shares of funds held to generate a profit based on market opportunities.

These assets are recognized at fair value based on their stock market price or their net asset value at the end of the period. Changes in fair value are recognized under financial income for the period.

1.3.7.6. Put/call options on securities

Put and call options on traded securities are recognized at fair value on the date of closing using the Black-Scholes pricing model; changes in value are recorded under net financial income for the year.

The price of an option consists of intrinsic value and time value. Intrinsic value is the difference between the strike price of an option and the market price of the underlying security. Time value is based on the security's volatility and the date on which the option may be exercised.

1.3.7.7. Cash and cash equivalents

Cash includes bank balances and non-trade current accounts with unconsolidated entities.

Cash equivalents include risk-free marketable securities with an initial maturity of three months or less, or which may be converted into cash almost immediately. In particular, these assets include marketable debt instruments and shares of money market funds in euros, valued at amortized cost.

1.3.8. Treasury shares

Treasury shares are not recognized in the balance sheet but deducted from equity, at their acquisition cost.

1.3.9. Employee benefits

Pension, early retirement, severance pay, medical insurance, long-service medals, accident and disability insurance, and other related commitments, whether for active personnel and for retired personnel, are recognized pursuant to IAS 19 as amended.

The benefits provided under post-employment benefits can be distinguished according to whether the level of benefits depends on (i) contributions made by the employee ("defined contribution" plans) or (ii) a level of benefit defined by the company ("defined benefit" plans").
In the case of defined contribution plans, the group's payments are recognized as expenses for the period to which they relate.
For defined benefit plans, benefit costs are estimated using the projected credit unit method: under this method, accrued pension benefits are allocated among service periods based on the plan vesting formula. If services in subsequent years result in accrued benefit levels that are substantially higher than those of previous years, the Company must allocate the accrued benefits on a straight-line basis.

The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and probability of payment. These future payments are reduced to their present value using a discount rate determined according to the rates of investment-grade corporate bonds of a maturity equivalent to that of the company's corporate liabilities.

Actuarial gains and losses relating to post-employment benefits (change in the valuation of the commitment and financial assets due to changes in assumptions and experience differences) are recognized under "other items of comprehensive income" and are presented on the balance sheet in their after-tax amount under the equity account "consolidated premiums and reserves"; they are not recyclable to the statement of income.

On the other hand, actuarial gains and losses relating to benefits for currently employed employees (e.g. long-service medals) are recognized in the statement of income.

The effects of plan changes (gains and losses) are recognized in the statement of income under the heading "other operating income and expenses".

The costs relating to employee benefits (pensions and other similar benefits) are split into two categories:

- the discounting reversal expense for the provision, net of the expected yield on assets earmarked for retirement plans, are charged to net financial income; the expected yield of the assets is calculated using the same interest rate used to discount the provision;
- the expense corresponding to the cost of the services rendered is divided between the different operating expense items by purpose: the costs of products and services sold, Research and Development, sales and marketing expenses, administrative expenses.

The discount rate used to measure these obligations as of December 31, 2017 was 1.50% for the Eurozone, unchanged vs. August 31, 2017. It was 3.25% in the United States as of December 31, 2017 for the US zone, unchanged vs. August 31, 2017.

These rates are set in light of several relevant indicators, the primary one being the Group's corporate IAS 19 yield curve by the coordinating actuary, supplemented by a basket of high quality corporate bonds from the Eurozone, of comparable maturities.

1.3.10. Provisions

As provided in IAS 37, a provision is recognized when the Group has an obligation towards a third party at the end of the period, whether legally, contractually or implicitly, and it is probable that a net outflow of resources would be required after the end of the period to settle this obligation, without receiving consideration at least equal to the outflow. A reasonably reliable estimate of net outflow must be determined in order to recognize a provision.

When the outflow of resources is expected to occur in more than two years, provisions are discounted to net present value if the impact of discounting is material.

The provisions for work completion cover a set of future services to be provided under contracts for which the obligations to the clients have been closed out and the revenue recognized.

1.3.11. Provisions for end-of-lifecycle operations

Principles for valuing costs for dismantling and for waste retrieval and packaging

The valuation of facility dismantling costs is based on methods that provide the best estimate of costs and schedules for design studies and operations for facilities in operation and for discontinued facilities.

The provisions cover:

- the costs of certain wastes from older contracts for processing spent fuel which could not be treated on site;
- the costs to prepare the installation site for decommissioning. The final condition (buildings and soils) of the facilities to be decommissioned serves as a base assumption for the dismantling scenario;
- the costs of transport and storage of radioactive waste by Andra.

The provisions for the end-of-lifecycle operations are recognized through operating profit and loss.

The costs are revised to take inflation into account and to reflect economic conditions for the year. They are then allocated in accordance with the provisional schedule of disbursements, and take into account the forecast inflation rate and discount rate. A provision is then recognized based on the present value.

In addition, the financing expected from of third parties relating to the share of the provisions for end-of-lifecycle operations is recorded in a non-current asset account entitled: “End-of-lifecycle assets – third party share”, which is discounted in exactly the same way as the related provisions.

The group’s share of provisions for end-of-lifecycle operations, estimated at the date the corresponding nuclear facilities are placed in service, is an integral part of the cost of those facilities, which is recognized in property, plant and equipment (see Note 1.3.3.4) as “End-of-lifecycle assets – group share”.

Treatment of amortization

The group’s share of end-of-lifecycle assets is amortized over the same period as the facilities concerned.

The corresponding amortization expense is not considered as part of the cost of inventories or the cost of contracts, and is not taken into account in the calculation of their percentage of completion. However, it is included in the statement of income under cost of sales and thus deducted from gross margin.

Treatment of income and expenses from discounting reversals

The provision is accreted at the end of each period: accretion represents the increase in the provision in line with the passage of time. This increase is recorded as a financial expense.

Similarly, the discounting of the provision corresponding to the third-party share is partially reversed rather than amortized.
The resulting increase in the third-party share is recognized as financial income.
The share financed by third parties is reduced for the value of work done on their behalf, with recognition of a receivable from these third parties in the same amount.

Inflation and discount rates used to discount end-of-lifecycle operations

The inflation and discount rates used to discount end-of-lifecycle operations are determined according to the following principles.

The inflation rate is set in accordance with the long-term inflation projections for the Eurozone and taking into account the European Central Bank’s target rate.

The discount rate is set:

- pursuant to IAS 37, i.e. based on market conditions at year-end closing and the specific characteristics of the liability; and
- to comply with the regulatory ceiling set by the decree of February 23, 2007 and the order of December 29, 2017 amending the decree of March 21, 2007 on securing the funding of nuclear expenses.

The rate thus results from implementation of the following approach:

- a rate curve is 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 expected disbursements, a single equivalent rate is deducted from the rate curve constructed in this manner;
- an estimate made by reference to the statutory ceiling, namely the weighted average of the fixed rate of 4.3% (level of the regulatory ceiling noted at December 31, 2016) and the average yield of French 30-year government bonds over the last four years, plus the spread of investment grade corporate bonds, the weighting changing gradually over a period of 10 years until 2026.

The revision of the discount rate is accordingly a function of market rates, structural changes in the economy resulting in medium- and long-term changes, and the potential effects of regulatory ceilings.

Treatment of changes in assumptions

Changes in assumptions relate to changes in cost estimates, discount rates and disbursement schedules.

As provided in IFRS, the group uses the prospective method:

- if the facility is in operation, the shares of end-of-lifecycle assets of the group and third parties are corrected in the same amount as the provision; the group's share of end-of-lifecycle assets is amortized over the remaining life of the facilities;
- if the facility is no longer in operation, the impact is recognized during the year of the change. The impact of changes in cost estimates is recognized under operating income, while the impact of changes in discount rates and disbursement schedules is recognized under net financial income.

Provisions for waste retrieval and packaging funded by the group have no corresponding asset. As a result, changes in assumptions concerning the portion of these provisions financed by the group are recognized immediately in profit or loss: The impact of changes in cost estimates is recognized under operating income, while the impact of changes in discount rates and disbursement schedules is recognized under net financial income.

1.3.12. Borrowings

Borrowings include:

- interest bearing liabilities (including bonds);
- obligations under finance leases; and
- put options held by minority shareholders of AREVA group subsidiaries.

1.3.12.1. Other interest-bearing debt

This heading includes:

- certain interest-bearing advances received from customers: interest-bearing advances received from customers are classified as financial liabilities when they are settled in cash, and as operating liabilities in other cases (see Note 1.3.13);
- loans from financial institutions;
- bonds issued by Orano;
- short-term bank facilities.

Interest-bearing debt is recognized at amortized cost based on the effective interest rate method.

Bond issues hedged with a rate swap (fixed rate/variable rate swap) qualified as fair value hedges are revalued in the same amount as the hedging derivative.

1.3.12.2. Obligations under finance leases

As provided in IAS 17, leasing arrangements are considered finance leases when all of the risks and rewards inherent in ownership are, in substance, transferred to the lessee. At inception, finance leases are recognized as a debt offsetting an asset in the identical amount, corresponding to the lower of the fair value of the property and the discounted net present value (NPV) of future minimum payments due under the contract.

Lease payments made subsequently are treated as debt service and allocated to repayment of the principal and interest, based on the rate stipulated in the contract or the discount rate used to value the debt.

1.3.13. Advances and prepayments received

There are three types of advances and prepayments from customers:

- interest-bearing advances settled in cash, which are classified as financial liabilities (see Note 1.3.12.2);
- advances and prepayments financing fixed assets: this item records the amounts received from customers and used to finance capital expenditure for the performance of long-term contracts to which they are party;
- advances and prepayments on orders: this item records customer advances and prepayments not falling within the preceding two categories; their reimbursement is charged against revenue earned from the contracts in question.

1.3.14. Translation of foreign currency denominated transactions

Foreign currency-denominated transactions are translated by group companies into their functional currency at the exchange rate prevailing at the transaction date.
Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate prevailing on the last day of the period. Foreign exchange gains and losses are then recognized:

- in operating income when related to operating activities: trade accounts receivable, trade accounts payable, etc.;
- in financial income when related to loans or borrowings.

1.3.15. Derivatives and hedge accounting

1.3.15.1. Risks hedged and financial instruments

Orano uses derivative instruments to hedge its foreign exchange and interest rate risks. The derivatives used are mainly forward currency contracts, currency and interest rate swaps, inflation swaps and currency options.

The hedged risks relate to receivables, liabilities and firm or projected obligations in foreign currencies.

1.3.15.2. Recognition of derivatives

As provided in IAS 39, derivatives are initially recognized at fair value and subsequently revalued at the end of each accounting period until settled.

Accounting methods for derivatives vary, depending on whether the derivatives are designated as fair value hedging items, cash flow hedging items, hedges of net investments in foreign operations, or do not qualify as hedging items.

Fair value hedges

This designation concerns hedges of firm commitments in foreign currencies: purchases, sales, receivables and debt. The hedged item and the derivative are revalued simultaneously and any changes in value are recorded in the statement of income.

Cash flow hedges

This designation refers to hedges of probable future cash flows: projected purchases and sales in foreign currencies.

The highly probable hedged items are not valued in the balance sheet. Only the derivative hedges are revalued at the end of each accounting period. The portion of the gain or loss that is considered effective is recognized under “other items of comprehensive income” and presented directly in equity under the balance sheet heading “deferred unrealized gains and losses on financial instruments”, on an after-tax basis. Only the ineffective portion of the hedge impacts income for the period.

The amounts recognized under “deferred unrealized gains and losses on financial instruments” are released to income when the hedged item impacts the statement of income, i.e. when the hedged transaction is recognized in the financial statements.

Hedges of net investments in foreign operations

This designation relates to borrowings in a foreign currency and to borrowings in euros when the euro has been swapped against a foreign currency, to finance the acquisition of a subsidiary using the same functional currency for instance. Currency translation adjustments on these borrowings are recognized under "other items of comprehensive income" and presented on the balance sheet under "currency translation reserves" in their net amount after tax; only the ineffective portion is recognized through profit and loss.

The amount accumulated in currency translation reserves is released to profit and loss when the subsidiary in question is sold.

Derivatives not qualifying as hedges

When derivatives do not qualify as hedging instruments, fair value gains and losses are recognized immediately in the statement of income.

1.3.15.3. Presentation of derivatives in the statement of financial position and statement of income

Presentation in the statement of financial position

Derivatives used to hedge risks related to market transactions are reported under operating receivables and liabilities in the statement of financial position. Derivatives used to hedge risks related to loans, borrowings and current accounts are reported under financial assets or borrowings.

Presentation in the statement of income

The revaluation of derivatives and hedged items relating to market transactions affecting the statement of income is recognized under "other operating income and expenses", except for the component corresponding to the discount/premium, which is recognized in financial income.

For loans and borrowings denominated in foreign currencies, fair value gains and losses on financial instruments and hedged items are recognized in financial income.

1.3.16. Income tax

As provided in IAS 12, deferred taxes are determined for all temporary differences between net carrying amounts and the tax basis of assets and liabilities, to which is applied the anticipated tax rate at the time of reversal of these temporary differences. They are not discounted.

Temporary taxable differences generate a deferred tax liability.

Temporary deductible differences, tax loss carry-forwards, and unused tax credits generate a deferred tax asset equal to the probable amounts recoverable in the future. Deferred tax assets are analyzed case by case for recoverability, taking into account the income projections of the group's strategic action plan.

Deferred tax assets and liabilities are netted for each taxable entity if the entity is allowed to offset its current tax receivables against its current tax liabilities.

Deferred tax liabilities are recorded for all taxable temporary differences of subsidiaries, associates and partnerships, unless AREVA is in a position to control the timing of reversal of the temporary differences and it is probable that such reversal will not take place in the foreseeable future. Tax accounts are reviewed at the end of each financial year, in particular to take into account changes in tax laws and the likelihood that amounts recognized will be recovered.

Deferred taxes are mostly carried in profit and loss, with the exception of those which relate to "Other items of comprehensive income," which are also carried in "Other items of comprehensive income."

Orano has elected to recognize the value added business tax (*Contribution sur la valeur ajoutée des entreprises*, CVAE) to which its French subsidiaries have been subject at a rate of 1.6% since 2010 (including the Chamber of Commerce and Industry tax), as income tax. Orano considers that the base for calculation of the CVAE is a net amount rather than a gross amount, since the value added of its largest French subsidiaries represents a relatively small percentage of their revenue, bringing the value added business tax into the scope of accounting standard IAS 12, Income Taxes.

As provided in IAS 12, this election requires recognition of deferred taxes at the rate of 1.6% on the corresponding temporary differences.

Deferred tax assets

The recoverable share of the group's deferred tax assets is that for which the probability of recovery is higher than 50%. To establish this probability, the group performs a three-step analysis: (a) demonstration of the non-recurring nature of the losses; (b) analysis of future earnings prospects; and (c) analysis of tax management opportunities.

Regarding the outlook for future income, the probability of future taxable profits to offset losses carried forward is assessed based on forecasts generated as part of the budget process validated by management. Future earnings prospects are established over a 10-year timeframe on the basis of the initial budget, for each entity or consolidated scope, taking into account their track record in respect of losses. The 10-year forecasting horizon selected is consistent with the volume in group's backlog, the operating period of the assets, and the existence of certain framework agreements.

Note 2 – CONSOLIDATION SCOPE

2.1. Consolidated companies (French / foreign)

(number of companies)	December 31, 2017		August 31, 2017	
Consolidation method	French	Foreign	French	Foreign
Full consolidation	24	46	28	50
Equity method	2	13	2	6
Sub-total	**26**	**59**	**30**	**56**
Total	**85**		**86**	

(Change of method for intermediate packages see Note 2.4)

2.2. Transactions completed as of December 31, 2017 (4 months)

Purchase of non-controlling interests in Eurodif SA

In October 2017, Orano acquired ENEA's 8% stake in Eurodif SA, bringing its direct stake in that company to 75%. This acquisition follows those made in July 2017 from ENUSA and in December 2016 from SYNATOM and is consistent with Orano Cycle's plan to acquire all the shares held by its partners following the shutdown of the Georges Besse gaseous diffusion plant at the Tricastin site, in order to optimize its operational management of the site.

2.3. Transactions completed as of August 31, 2017

Sale of MAINCO:

Orano sold its subsidiary MAINCO, specialized in industrial logistics, to a French family-owned group on June 30, 2017.

Acquisition of Orano Projets (formerly AREVA Projets)

In January 2017, Orano acquired Orano Projets from AREVA NP SAS in order to consolidate the nuclear cycle engineering within Orano, as planned under the group's restructuring plan (see Note 19).

Creation of Orano GmbH and acquisition of Dekontaminierung Sanierung Rekultivierung (DSR)

Orano has established a German company trading as Orano GmbH as part of the restructuring of the Orano group, to house the dismantling and associated services previously housed in AREVA GmbH. To that end, this company has acquired from AREVA GmbH its reactor dismantling operations and DSR IngenieurgesellschaftmbH, an engineering company specialized in radiation protection and the safety of nuclear facilities, both operational and decommissioned.

Purchase of non-controlling interests in EURODIF SA

In 2017, Orano Cycle acquired ENUSA's 11.1% stake in Eurodif SA, bringing its direct stake in that company to 67%. This acquisition followed that made in December 2016 from SYNATOM.

Creation of SI-nerGIE

Orano and Framatome (formerly New NP) have created a consortium (G*roupement d'intérêt économique*, GIE) known as SI-nerGIE to share a joint information system and as such to avoid the additional costs and operational risks related to information systems as part of the restructuring of the AREVA group.

2.4. Consolidated companies and associates

Name of unit or controlling entity: Company name, legal form			December 31, 2017		August 31, 2017	
New name	Old name	Country	Method	Percentage of interest	Method	Percentage of interest
Mining BU						
Orano Resources Southern Africa	AREVA Resources Southern Africa	Virgin Islands	FC	100	FC	100
Orano Canada Inc.(*)	AREVA Resources Canada(*)	Canada	FC	100	FC	100
KATCO	KATCO	Kazakhstan	FC	51	FC	51
Orano Mining	AREVA Mines	France	FC	100	FC	100
SOMAIR	SOMAIR	Niger	FC	63.40	FC	63.40
CFMM	CFMM	France	FC	100	FC	100
-	SMJ(**)	France			FC	100
CFM	CFM	France	FC	100	FC	100
UG USA Inc	UG USA Inc	United States	FC	100	FC	100
Orano Holdings Australia	Areva Holdings Australia Pty Ltd	Australia	FC	100	FC	100
Société d'exploitation d'IMOURAREN	Société d'exploitation d'IMOURAREN	Niger	FC	57.66	FC	57.66
Orano Est Canada	AREVA EST CANADA LTEE	Canada	FC	100	FC	100
Urangesellschaft Canada Limited	Urangesellschaft Canada Limited	Canada	FC	100	FC	100
URAMIN Centrafrique	URAMIN Centrafrique	Central African Rep.	FC	100	FC	100
Orano Namibia	URAMIN Namibia (Pty) Ltd	Namibia	FC	100	FC	100
URANOR Inc	URANOR Inc	Canada	FC	100	FC	100
Orano Québec Inc	AREVA Québec	Canada	FC	100	FC	100
Orano Expansion	AREVA NC EXPANSION	France	FC	86.51	FC	86.51
JORDAN AREVA RESSOURCES	JORDAN AREVA RESSOURCES	Jordan	FC	50	FC	50
Erongo Desalination Company (PTY) LTD	Erongo Desalination Company (PTY) LTD	Namibia	FC	100	FC	100
AREVEXPLO RCA SA	AREVEXPLO RCA SA	Central African Rep.	FC	70	FC	70
Orano Gabon	AREVA GABON	Gabon	FC	100	FC	100
Orano Processing Namibia	AREVA PROCESSING NAMIBIA	Namibia	FC	100	FC	100
AFMECO MINING & EXPLORATION PTY LTD	AFMECO MINING & EXPLORATION PTY LTD	Australia	FC	100	FC	100
UG Asia Limited	UG Asia Limited	China	FC	100	FC	100
COMINAK	COMINAK	Niger	EM	34	EM	34
COMUF	COMUF	Gabon	FC	68.42	FC	68.42
Urangesellschaft - Frankfurt	Urangesellschaft - Frankfurt	Germany	FC	100	FC	100
Orano Mongol LLC	AREVA MONGOL	Mongolia	FC	66	FC	66
COGEGOBI	COGEGOBI	Mongolia	FC	66	FC	66
Badrakh Energy LLC	AREVA Mines LLC	Mongolia	FC	43.56	FC	43.56
Chemistry & Enrichment BU (Front End)						
EURODIF SA (see Note 20)	EURODIF SA	France	FC	100	FC	100
EURODIF PRODUCTION (see Note 20)	EURODIF PRODUCTION	France	FC	100	FC	100
SOCATRI (see Note 20)	SOCATRI	France	FC	100	FC	100
SOFIDIF	SOFIDIF	France	FC	60	FC	60
SET HOLDING	SET HOLDING	France	FC	95	FC	95
SET	SET	France	FC	95	FC	95
ETC(*)	ETC(*)	Great Britain	EM	50	EM	50
Orano USA LLC	AREVA Nuclear Materials, LLC	United States	FC	100	FC	100
Laboratoire d'étalons d'activité	Laboratoire d'étalons d'activité	France	FC	100	FC	100

Recycling BU (Back End)						
Orano Temis	AREVA TEMIS	France	FC	100	FC	100
Orano Cycle Japan Projects	AREVA NC JAPAN Projects	Japan	FC	100	FC	100
ANADEC – Orano ATOX D&D	ANADEC	Japan	EM	50	EM	50
Dekontaminierung Sanierung	Dekontaminierung Sanierung	Germany	FC	100	FC	100
Orano GmbH	AREVA Decomissioning & Services GmbH (AREVA DS GmbH)	Germany	FC	100	FC	100
AREVA MACE ATKINS	AREVA MACE ATKINS	Great Britain	EM	33	EM	33
Decommissioning & Services BU (Back End)						
Orano DS – Démantèlement et Services	STMI	France	FC	73.86	FC	73.86
-	POLINORSUD(**)	France			FC	73.86
-	MSIS(**)	France			FC	73.86
-	AMALIS(**)	France			FC	73.86
CNS	CNS	France	FC	51	FC	51
Trihom	Trihom	France	FC	48.75	FC	48.75
SICN	SICN	France	FC	100	FC	100
Logistics BU (Back End)						
LEMARECHAL	LEMARECHAL	France	FC	100	FC	100
TN International	TN International	France	FC	100	FC	100
Columbiana High Tech	Columbiana High Tech	United States	FC	100	FC	100
TN Americas LLC	TN Americas LLC	United States	FC	100	FC	100
HOLDING & Corporate						
Orano	NEW AREVA HOLDING	France	FC	100	FC	100
Orano Cycle	AREVA NC SA	France	FC	100	FC	100
Orano Support	AREVA BS	France	FC	100	FC	100
Orano MED BU						
Orano Med	AREVA MED SAS	France	FC	100	FC	100
Orano Med LLC	AREVA MED LLC	United States	FC	100	FC	100
Orano Projets BU						
Orano Projets	AREVA Projects France	France	FC	100	FC	100
Orano Projects Ltd.	Areva Projets - RMC UK	Great Britain	FC	100	FC	100
Central Other						
Orano Assurance et Réassurance	AREVA Insurance and Reinsurance	France	FC	100	FC	100
PIC	PIC	United States	FC	100	FC	100
AREVA (Beijing) Technology Co Ltd	AREVA Beijing Consulting CO Ltd	China	FC	100	FC	100
Orano Japan	AREVA JAPAN	Japan	FC	100	FC	100
Orano Korea	AREVA KOREA	Rep. of Korea	FC	100	FC	100
Orano Federal Services LLC	AREVA FEDERAL SERVICES LLC	United States	FC	100	FC	100
AREVA India Private Ltd	AREVA India Private Ltd	India	FC	100	FC	100
Orano UK Ltd.	AREVA UK Ltd	Great Britain	FC	100	FC	100
SI-nerGIE	SI-nerGIE	France	EM	50	EM	50

(FC: full consolidation: EM: equity method; JO: joint operation)

(*) ETC and Orano Canada Inc. are intermediate packages, representing 11 and 7 companies respectively. The number of companies included in the intermediate packages was revised at the end of 2017, from 6 to 11 companies for ETC and from 9 to 7 companies for Orano Canada Inc. The increase in the number of companies does not reflect acquisitions or disposals.

(**) Mergers between consolidated entities

2.5. Unconsolidated companies

The net value of unconsolidated equity at less than 50% ownership, representing 9 investments, amounts to 3 million euros on the balance sheet.

The net carrying amount of the 11 unconsolidated companies in which the company holds interests of more than 50% amounts to 4 million euros. The company believes there is no risk associated with these holdings and considers them non-material.

Note 3 – REVENUE

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Contracts accounted for according to the percentage of completion method	341	698
Other sales of products and services		
- Sales of goods	506	901
- Sales of services	738	740
Total	**1,585**	**2,339**

Note 4 – ADDITIONAL INFORMATION BY TYPE OF EXPENSE

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Employee expenses(*)	(470)	(996)
Average full time equivalent workforce	18,001	18,470
Operating leases	(21)	(17)

(*) Excluding pension obligations

The registered workforce was stable over the four-month period. The average full-time equivalent workforce as of August 31, 2017 takes into account departures of employees over the first eight months of the year under the voluntary redundancy plan in France and restructuring in the subsidiaries of the Mining Business Unit.

Note 5 – OTHER OPERATING INCOME AND EXPENSES OTHER

Other operating expenses

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Restructuring and early retirement plan costs	(22)	(32)
Goodwill impairment	-	-
Impairment of other assets	(10)	(483)
Income on sales of non-financial assets	(2)	(4)
Other operating expenses	(41)	(48)
Total other operating expenses	**(75)**	**(566)**

Impairment of goodwill and other assets is described in Notes 9, 10 and 11.

Other operating income

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Income on disposals of assets other than financial assets	26	5
Other operating income	14	42
Total other operating income	**40**	**47**

Note 6 - RECONCILIATION BETWEEN OPERATING INCOME AND EBITDA

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Operating income	244	(281)
Net increase in depreciation and impairment of intangible assets, net of reversals	34	255
Net increase in depreciation and impairment of property, plant and equipment, net of reversals	175	599
Impairment of current assets, net of reversals	(110)	68
Provisions, net of reversals(*)	(74)	(160)
Investment subsidies recognized through profit and loss		0
Costs of end-of-lifecycle operations performed	73	122
EBITDA	**342**	**602**

(*) including increases and reversals of provisions for employee benefits

Note 7 – NET FINANCIAL INCOME

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Income from cash and cash equivalents	6	10
Gross borrowing costs	(73)	(152)
Net borrowing costs	**(67)**	**(142)**
Other financial income and expenses	**(140)**	**84**
Net financial income	**(207)**	**(58)**

Gross borrowing costs amounted to (73) million euros at December 31, 2017, including interest expense on bonds in the amount of 56 million euros (compared with 131 million euros recognized over the first eight months of the year).

Breakdown of other financial income and expenses

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
Share related to end-of-lifecycle operations	**(57)**	**208**
Income from disposal of securities earmarked for end-of-lifecycle operations	-	253
Dividends received	12	112
Income from receivables related to dismantling and from discount reversal on earmarked assets	9	28
Impairment of securities	-	-
Impact of changes in discount rate and of schedule revisions	1	1
Unwinding expenses on end-of-lifecycle operations	(80)	(185)
Share not related to end-of-lifecycle operations	**(83)**	**(124)**
Foreign exchange gain (loss)	(15)	(11)
Impairment of financial assets	(16)	-
Interest on customer contract prepayments	(17)	(30)
Financial income from pensions and other employee benefits	(7)	(14)
Other financial expenses	(32)	(78)
Other financial income	3	10
Other financial income and expenses	**(140)**	**84**

Other financial expenses mainly consist of the accretion of provisions for contract completion, provisions for mining site redevelopment and the dismantling of treatment facilities, and the discount/premium on financial hedging instruments.

Note 8 – INCOME TAX

Analysis of tax expense

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
Current taxes (France)	(9)	(105)
Current taxes (other countries)	(16)	(19)
Total current taxes	**(25)**	**(124)**
Deferred taxes	21	75
Total tax income	**(4)**	**(49)**

The main French subsidiaries in the consolidation, which are at least 95% owned, have established a new tax consolidation as of September 1, 2017.

No deferred tax assets were recognized in respect of the tax loss carryforwards of the French entities included in the tax consolidation at December 31, 2017.

In view of the implementation of the tax consolidation formed around the Company from September 1, 2017, future relationships between the consolidated subsidiaries and Orano SA are governed by a tax consolidation agreement for the period covered by the tax consolidation, based on a principle of neutrality.

It should also be noted that relationships between the subsidiaries and AREVA SA for the period during which they were part of the tax consolidation formed around AREVA SA, i.e. until December 31, 2016 inclusive, are governed by an exit agreement, based on a principle of fiscal neutrality.
The tax credits that the tax-consolidated companies transmitted to the parent company during the tax consolidation period and that were not used within the consolidation will be refunded by AREVA SA in the first half of the fourth year following that in which the expenses giving rise to the tax credit were incurred, i.e., from 2018 (the 2014 tax credits) to 2020 (the 2016 tax credits).

Reconciliation of tax expense and income before taxes

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
Net income attributable to owners of the parent	**8**	**(260)**
Less		
Net income from operations sold, discontinued or held for sale	-	2
Minority interests	12	(120)
Net income of associates	13	(9)
Tax expense (income)	4	49
Income before tax	**37**	**(339)**
Theoretical tax income (expense) at 34.43%	(13)	117
Impact of tax consolidation		
Operations taxed at a rate other than the full statutory rate	(6)	(14)
Unrecognized deferred taxes	152	(114)
Other change in permanent differences	(138)	(38)
Effective tax income (expense)	**(4)**	**(49)**
Effective tax rate	**na**	**na**

Breakdown of other change in permanent differences

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
Parent / subsidiary tax treatment and inter-company dividends	(1)	(1)
Impact of permanent differences for tax purposes	(10)	7
Differences between the French tax rate and tax rates applicable abroad	8	(14)
CVAE business tax	0	(14)
Impact of change in tax rate	(130)	(16)
Other	(5)	0
Total other change in permanent differences	**(138)**	**(38)**

Deferred tax assets and liabilities

(in millions of euros)	December 31, 2017	August 31, 2017
Deferred tax assets	101	157
Deferred tax liabilities	(33)	(21)
Net deferred tax assets and liabilities	**68**	**135**

For all French companies, the expected tax rates depending on the year in which temporary differences will be reversed are as follows:
2017-2018: 34.43%;
2019: 32.02%;
2020: 28.92%;
2021: 27.37%;
2022 and beyond: 25.83%.

Following the tax reform in United States, the federal tax rate is 21%. Combined with state taxes, Orano Inc.'s tax rate is now approximately 25%.

Main categories of deferred tax assets and liabilities

(in millions of euros)	December 31, 2017	August 31, 2017
Tax impact of temporary differences related to:		
Property, plant and equipment, intangible assets and non-current financial assets	18	34
Working capital assets	(29)	(2)
Provisions for pension obligations	124	155
Provisions for restructuring	-	1
Tax-driven provisions	(134)	(144)
Provisions for dismantling	30	31
Impact of loss carry-forwards and deferred taxes	34	40
Other temporary differences	25	21
Net deferred tax assets and liabilities	**68**	**135**

The change in deferred tax assets and liabilities on property, plant and equipment, and non-current financial assets mainly reflects the impact of the US tax reform and the recognition of a deferred tax asset to offset the deferred tax liability relating to the entry of SET into the Orano SA tax consolidation.

Change in consolidated deferred tax assets and liabilities

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
At January 1	**135**	**65**
Tax on continuing operations, recognized in profit or loss	21	75
Tax recognized in operations held for sale	-	-
Tax expense recognized directly in other items of comprehensive income	(87)	10
Change in consolidated group	-	-
Currency translation adjustments	(1)	(15)
Net deferred tax assets and liabilities	**68**	**135**

Consolidated deferred tax income and expenses by category of temporary difference

(in millions of euros)	December 31, 2017 (4 months)	August 31, 2017 (8 months)
Property, plant and equipment, intangible assets and non-current financial assets	(132)	194
Working capital assets	3	31
Employee benefits	(29)	(14)
Provisions for restructuring	(10)	(12)
Tax-driven provisions	36	(16)
Provisions for end-of-lifecycle operations	-	-
Net loss carry-forwards and deferred taxes	(13)	30
Impairment of deferred taxes	153	(114)
Other temporary differences	12	(24)
net deferred tax income (expenses)	**21**	**75**

Breakdown of deferred taxes recognized in other comprehensive income (in equity)

(in millions of euros)	December 31, 2017			August 31, 2017		
	Before tax	**Income tax**	**After tax**	**Before tax**	**Income tax**	**After tax**
Actuarial gains and losses on employee benefits	(41)	(2)	(43)	34	0	34
Currency translation adjustments of consolidated companies	(7)	-	(7)	(189)		(189)
Change in value of available-for-sale financial assets	106	(43)	63	(132)	(41)	(173)
Change in value of net investment hedges	-	(3)	(3)	0	(5)	(5)
Change in value of cash flow hedges	17	(40)	(23)	248	55	303
Share in comprehensive income of associates (net of income tax)	-	-	-	0		0
Total gains and (losses) of other comprehensive income after tax	**75**	**(87)**	**(12)**	**(39)**	**10**	**(29)**

Deferred tax assets not recognized

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Tax credits		
Tax losses	434	450
Other temporary differences	1,069	1,167
Total deferred tax assets not recognized	**1,503**	**1,617**

Note 9 – GOODWILL

(in millions of euros)	**August 31, 2017**	Increase	Disposals	Impairment	Currency translation adjustments and other	**December 31, 2017**
Mining	**816**	-	-	-	(11)	**805**
Front end	**161**	-	-	-	-	**161**
Back End	**227**	-	-	-	-	**227**
Total	**1,204**	**-**	**-**	**-**	**(11)**	**1,193**

Goodwill impairment tests

As indicated in Notes 1.2. “Estimates and judgments" and 1.3.4.5 "Impairment of property, plant and equipment, intangible assets and goodwill", the group performs impairment testing at least once a year. These tests consist of comparing the net carrying amount of the assets of cash generating units to which goodwill has been allocated (after inclusion of write-downs of property, plant and equipment and intangible assets listed in Notes 10 and 11) to their recoverable amount.

The discount rates used for impairment testing are based on the average cost of capital, and reflect current assumptions as regards the time value of money and the specific risk represented by the asset or CGU in question; they are determined on the basis of observed market data and evaluations prepared by specialized firms (10-year risk-free rate, equity market risk premium, volatility indices, credit spreads and debt ratios of comparable companies in each sector).

The following assumptions were used to determine the net present value of the cash flows to be generated by the CGUs:

December 31, 2017	Discount rate after tax	Normative growth rate	Final year
Mining	7.5%-12.00%	n/a	n/a
Front end	6.70%	n/a	n/a
Back End	6.40%-6.70%	1.75%	2026

At August 31, 2017	Discount rate after tax	Normative growth rate	Final year
Mining	7.50%-12.00%	n/a	n/a
Front end	6.70%	n/a	n/a
Back End	6.40%-6.70%	1.75%	2026

These impairment tests were calculated using exchange rates in effect on the balance sheet date or the hedged rate when cash flows are hedged.

Mining

The recoverable amount of the Mining CGU is determined based on the value in use. The value in use of mining operations is calculated based on forecast data for the entire period, up to the planned end of mining operations at existing mines and marketing of the corresponding products (i.e. until 2038), rather than on a base year. The value in use is determined by discounting estimated future cash flows per mine at rates between 7.50% and 12% (the same rates as at December 31, 2017) and using a euro/US dollar exchange rate of 1.20 at December 31, 2017 (1.18 at August 31, 2017).

Future cash flows have been determined using the projected price curve established and updated by Orano. The projected price curve is based among other things on Orano's vision of changes in uranium supply (uranium mines and secondary resources) and demand (reflecting the consumption of the global fleet of nuclear power plants over the length of the curve and the purchasing policy of the relevant utilities). The projected price curve was updated in October 2017 to take into account among other things the reduction in the French fleet, the anticipated shutdown of certain US reactors, and the slowdown and/or delay in new nuclear construction programs.

The result of this test was higher than the net carrying amount and therefore does not result in goodwill impairment.

The test remains sensitive to discount rates, to foreign exchange parity and to the anticipated future prices of uranium. The value in use of the assets of the Mining CGU would fall by the amounts below if any of the following assumptions were used:

- a discount rate of 50 basis points higher: 93 million euros;
- a euro/US dollar exchange rate of 5 eurocents higher (i.e. 1.25 instead of 1.20): 206 million euros;
- selling price assumption US$5 per pound below Orano's projected price curves over the entire period of the business plans: 344 million euros.

On this point, the sensitivity analysis was carried out without taking into account a revision of economically mineable uranium quantities or production schedules resulting from this price change.

However, taken separately, variations of this magnitude would not lead to impairment of the goodwill of the Mining CGU.

Front End and Back End

Impairment testing performed as of December 31, 2017 on the CGUs relating to the Front End and Back End activities did not result in the recognition of any impairment of goodwill.

For the Enrichment CGU, the test is very sensitive to the discount rate, to exchange rate parity, and to the long-term price expectations for separative work units (SWU). The value in use of the assets of the Enrichment CGU would fall by the amounts below if any of the following assumptions were used:

- a discount rate of 50 basis points higher: 240 million euros;
- a euro/US dollar exchange rate of 5 eurocents higher (i.e. 1.25 instead of 1.20): 150 million euros;
- selling price assumptions US$1 per SWU below Orano's projected price curves: 30 million euros.

Other than a reduction of less than US$1 in selling prices per SWU, these variations would result in partial impairment of the goodwill of the Enrichment CGU.

For the Back End, sensitivity analyses show that the use of a discount rate of 50 basis points higher or a growth rate for the base year of 1% lower than the above-mentioned rates would not have led to the recognition of impairment on goodwill, since its recoverable value remains greater than the net carrying amount of assets.

Note 10 – INTANGIBLE ASSETS

(in millions of euros)	Pre-mining expenses	R&D expenses	Mineral rights	Concessions & brevets	Software	Intangible assets in progress	Other	Total
Gross amount at August 31, 2017	**1,866**	**62**	**1,176**	**407**	**367**	**289**	**188**	**4,355**
CAPEX	11	5	-	-	-	5	-	22
Disposals	-	(2)	-	-	(5)	-	-	(7)
Currency translation adjustments	(7)	-	(15)	-	-	(3)	(1)	(26)
Change in consolidated group	-	-	-	-	-	-	-	-
Other changes	36	1	-	-	2	(5)	-	33
Gross amount at December 31, 2017	**1,907**	**65**	**1,160**	**407**	**364**	**287**	**187**	**4,376**
Depreciation and provisions at August 31, 2017	**(1,081)**	**(5)**	**(1,176)**	**(79)**	**(333)**	**(233)**	**(104)**	**(3,011)**
Net increase in depreciation/impairment (1)	(23)	1	-	(3)	(2)	-	(7)	(34)
Disposals	-	-	-	-	5	-	-	5
Currency translation adjustments	4	-	15	-	-	3	1	23
Change in consolidated group	-	-	-	-	-	-	-	-
Other changes	(22)	-	-	-	-	-	1	(20)
Depreciation and provisions at December 31, 2017	**(1,123)**	**(4)**	**(1,160)**	**(82)**	**(330)**	**(230)**	**(109)**	**(3,038)**
Net carrying amount at August 31, 2017	**785**	**57**	**-**	**328**	**34**	**56**	**84**	**1,344**
Net carrying amount at December 31, 2017	**784**	**61**	**-**	**325**	**34**	**57**	**78**	**1,339**

(1) including 1 million euros of reversal of impairment of intangible assets as of December 31, 2017 (TREKKOPJE, see Note 11).

Note 11 – PROPERTY, PLANT AND EQUIPMENT

(in millions of euros)	**Land**	**Buildings**	**Plant, equipment and tooling**	**End-of-life cycle assets – AREVA share**	**Other**	**In progress**	**Total**
Gross amount at August 31, 2017	**154**	**1,893**	**19,704**	**1,531**	**1,433**	**2,061**	**26,776**
CAPEX	-	-	10	-	4	159	173
Disposals	-	(4)	(46)	(56)	(49)	(11)	(165)
Currency translation adjustments	-	-	(6)	-	(9)	-	(16)
Change in consolidated group	-	-	-	-	-	-	-
Other changes	1	(24)	182	21	28	(216)	(8)
Gross amount at December 31, 2017	**155**	**1,865**	**19,844**	**1,497**	**1,408**	**1,992**	**26,761**
Depreciation and provisions at August 31, 2017	**(80)**	**(976)**	**(15,323)**	**(1,035)**	**(1,150)**	**(1,082)**	**(19,646)**
Net increase in depreciation/impairment [(1)]	-	(17)	(118)	(8)	(9)	(21)	(175)
Disposals	-	4	37	56	30	-	126
Currency translation adjustments	-	-	2	-	8	-	10
Change in consolidated group	-	-	-	-	-	-	-
Other changes	-	18	5	-	(16)	14	21
Depreciation and provisions at December 31, 2017	**(81)**	**(972)**	**(15,398)**	**(988)**	**(1,137)**	**(1,089)**	**(19,664)**
Net carrying amount at August 31, 2017	**74**	**918**	**4,380**	**496**	**283**	**979**	**7,130**
Net carrying amount at December 31, 2017	**74**	**894**	**4,446**	**509**	**271**	**903**	**7,097**

(1) including impairment of property, plant and equipment in the amount of 11 million euros as of December 31, 2017, including IMOURAREN, TREKKOPJE and COMURHEX II.

MINING ASSETS IN NIGER - IMOURAREN

The Group holds 57.7% of the Imouraren mining asset, with the remaining 42.3% held by minority interests (the State of Niger, Sopamin, and Korea Imouraren Uranium Investment (KIU)).

The site has been in "care and maintenance" status since 2015. The project will restart when uranium market conditions permit. Discussions are in progress with the State of Niger to sign an amendment to the strategic partnership agreement of May 26, 2014.
An impairment loss of 275 million euros was recognized as of August 31, 2017.

The carrying amount of the Imouraren project's non-current assets was 69 million euros as of December 31, 2017 (unchanged vs. August 31, 2017).

Moreover, the net carrying amount of assets as of December 31, 2017 does not exceed the potential resale value of the reserves and resources of the deposit, calculated as a multiple of uranium resources in the ground.

Accumulated impairment losses on the Imouraren assets is reflected in a debit balance of 419 million euros for non-controlling interests as of December 31, 2017. Imouraren SA and the company that controls it had negative net positions as of December 31, 2017.

MINING ASSETS IN NAMIBIA - TREKKOPJE

The carrying amount of intangible assets and property, plant and equipment in Namibia includes the mining infrastructure and the desalination plant. However, the value in use of the desalination plant was tested separately from that of the mining infrastructure.

The desalination plant's value in use was justified based on an updated business plan using a discount rate of 8.50% (unchanged vs. August 31, 2017).

Impairment in the amount of 32 million euros was recorded on the carrying amount of intangible assets and property, plant and equipment of the mine as of August 31, 2017, and a reversal of 9 million euros as of December 31, 2017, based on their fair value, determined based on a multiple of uranium resources in the ground.

After recognition of impairment of the mining assets, the total carrying amount of Trekkopje's property, plant and equipment and intangible assets was 197 million euros (compared with 191 million euros as of August 31, 2017).

Comurhex II plant

Impairment testing shows that the value in use of property, plant and equipment under construction, measured as of December 31, 2017 using a discount rate of 6.70% (unchanged vs. August 31, 2017), a euro-US dollar exchange rate of 1.20 corresponding to the closing rate on December 31, 2017 (vs. 1.18 as of August 31, 2017) and conversion unit selling price assumptions resulting from Orano's analysis of medium- to long-term supply and demand trends, is consistent with their carrying amounts as of December 31, 2017. Value in use, mainly under the combined effects of the exchange rate and a downward revision of selling price assumptions, was 134 million euros, resulting in further impairment of 7 million euros recorded in the financial statements as of December 31, 2017.

The result of the impairment test remains sensitive to the assumptions used, in particular the discount rate, the euro/U.S. dollar exchange rate, long-term sales prices and volumes sold.

The value in use of the property, plant and equipment under construction would fall by the amounts below if any of the following assumptions were used:

- a discount rate of 50 basis points higher: 38 million euros;
- a euro/US dollar exchange rate of 5 eurocents higher (i.e. 1.25 instead of 1.20): 69 million euros;
- selling price assumptions US$1 per conversion unit below Orano's projected price curves: 80 million euros.

GEORGES BESSE II PLANT

In view of the deterioration of market indicators, impairment testing of property, plant and equipment relating to the Georges Besse II plant was performed using a discount rate of 6.70% (unchanged vs. August 31, 2017), a euro/US dollar exchange rate of 1.20 corresponding to the closing rate on December 31, 2017 and SWU selling price assumptions resulting from Orano's analysis of medium- to long-term supply and demand trends. On that basis, no impairment was recognized at December 31, 2017.

Sensitivity analysis performed on the same parameters as for the Enrichment CGU does not point to potential impairment, but shows that the test is very sensitive to discount rate, exchange rate and long-term selling price assumptions.

Note 12 – END-OF-LIFECYCLE OPERATIONS

PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS

(in millions of euros)	**Net carrying amount at August 31, 2017**	**Reversal (when risk has materialized)**	**Unwinding**	**Change in assumptions, revised budgets, etc.**	**Net carrying amount at December 31, 2017**
Provisions for end-of-lifecycle operations (legal*)	7,233	(68)	77	34	7,276
Provisions for end-of-lifecycle operations (other than legal*)	247	(1)	3	20	269
PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS	**7,480**	**(69)**	**80**	**54**	**7,545**

(*) scope of application of the Act of June 28, 2006

In the four months ended December 31, 2017, reversals of used provisions in the amount of (69) million euros correspond to the expenses of the group. Changes in assumptions, revisions to estimates and other changes include third-party expenses in the amount of (9) million euros.

Other changes in assumptions as regards legal provisions include the transfer of a provision from the legal scope to the other-than-legal scope in the amount of 26 million euros.

Nature of the commitments

As a nuclear facility operator, the group has a legal obligation to secure and dismantle its production facilities when they are shut down in whole or in part on a permanent basis. It must also retrieve and package, in accordance with prevailing standards, the various waste generated by operating activities that could not be processed during treatment. These installations concern the front end of the cycle (especially the Pierrelatte site) and the back end of the cycle (including the treatment plants at La Hague and the MELOX and Cadarache MOX fuel fabrication plants).

In December 2004, the CEA, EDF and Orano Cycle signed an agreement concerning the Marcoule facility, which transfers the responsibilities of site owner-operator to the CEA, which will be responsible for funding the site cleanup. This agreement does not cover final disposal costs for long-lived high- and medium-level waste. Accordingly, provisions for the Marcoule site only cover Orano's share of waste shipping and final waste disposal costs.

Determination of provisions for end-of-lifecycle operations

In accordance with the article 20 of the French program law no. 2006-739 of June 28, 2006 on the sustainable management of radioactive materials and waste, codified in articles L. 594-1 *et seq*. of the French Environmental Code, Orano submits a report to the administrative authority every three years on cost estimates and calculation methods for provisions, in addition to an annual update of this report. These documents detail the methods used by Orano to measure the cost of end-of-lifecycle operations and the expenses relating to the removal and storage of radioactive waste.

Uncertainties and opportunities

In view of the duration of the end-of-lifecycle commitments, the uncertainties and opportunities cited as examples below are taken into account when they occur:

- Uncertainties:
  - revision of scenarios of certain waste retrieval and packaging projects at La Hague during the qualification of waste retrieval processes;
  - differences between the expected initial conditions of the legacy facilities and the actual initial conditions (presence of asbestos, for example);
  - uncertainties related to changes in the nuclear safety authority's requirements (e.g. for final conditions and soil treatment) and to changes in generally applicable regulations.

Opportunities:

- gains generated by the learning curve and industrial standardization of operating procedures;
- in-depth investigations on the condition of the facilities using new technologies in order to reduce the uncertainty related to initial facility conditions.

Consideration of identified risks and unforeseen events

The technical cost of end-of-lifecycle operations is backed up by consideration of:
- a baseline scenario that takes operating experience into account;
- a margin for risks identified through risk analyses conducted in accordance with the Orano standard and updated regularly as the projects advance;
- a margin for unforeseen events designed to cover unidentified risks.

The discount rate (see principles laid out in Note 1.3.11)

For the facilities located in France, Orano has assumed a long-term inflation rate of 1.65% and a discount rate of 4.10% as of December 31, 2017, the same assumptions as those used as of August 31, 2017.

At December 31, 2017, the use of a discount rate 25 basis points higher or lower than the rate used (4.10%) would have the effect of changing the value of provisions for end-of-lifecycle operations by -357 million euros with a rate of +25 bps or +392 million euros with a rate of -25 bps respectively.

Final waste removal and disposal

Orano sets aside a provision for expenses related to radioactive waste in its possession.
These expenses include:
- the removal and near-surface disposal of short-lived, very low-level and low-level waste and its share of monitoring of Andra's Centre de la Manche and Centre de l'Aube disposal facilities, which received or still receive its waste;
- the removal and underground disposal of long-lived low-level waste (graphite);
- the removal and disposal of long-lived medium- and high-level waste covered by the French law of December 30, 1991 (now codified in articles L. 542-1 *et seq*. of the French Environmental Code). The provision is based on the assumption that a deep geologic repository will be deployed(hereinafter called Cigéo).

The Ministerial Decree of January 15, 2016 set at 25 billion euros the cost related to the implementation of CIGEO (impact recorded in the 2015 financial statements).

On January 15, 2018, the ASN issued its opinion on the CIGEO safety options file, finding that the project had reached satisfactory overall technological maturity at the safety options file stage and requesting additional elements of demonstration regarding the bituminous waste safety options.

For sensitivity analysis purposes, an increase of 1 billion euros in the amount of the CIGEO project estimate before discounting would result in an additional expense in a present value of approximately 30 million euros for Orano, based on the methodology used to establish the existing provision.

Tentative schedule of provision disbursements

The following table shows the forward payment schedule of provisions both within and outside the scope of the law of June 28, 2006, excluding Andra's monitoring costs:

(in millions of euros)	December 31, 2017
2018	361
2019-2021	1,235
2022-2026	1,701
2027-2036	1,822
2037 and beyond	8,651
TOTAL PROVISIONS BEFORE DISCOUNTING	**13,770**

The amounts represent the future disbursement of provisions expressed before discounting and aligned with the economic conditions prevailing in 2017.

Provisions for an end-of-lifecycle operations face two items:

- end-of-lifecycle assets;
- financial assets earmarked for end-of-lifecycle operations.

END-OF-LIFECYCLE ASSETS

End-of-lifecycle assets include two items:

- the group's share of assets classified under property, plant and equipment on the statement of financial position (see Note 11);
- third-party share of assets described in this note.

(in millions of euros)	**Net carrying amount at August 31, 2017**	**Decrease from period expense**	**Acc-retion**	**Change in assumptions, revised budgets, etc.**	**Net carrying amount at December 31, 2017**
TOTAL THIRD-PARTY SHARE	**115**	**(9)**	**3**	**44**	**153**

The third-party share remaining in the end-of-lifecycle assets corresponds to the funding expected mainly from CEA for the Pierrelatte site. Change in this item was attributable to the following reasons:

- an increase related to the discounting expense;
- a decrease due to work performed during the period;
- changes in assumptions identified on liabilities in proportion to the third-party share.

In 2017, changes in assumptions mainly reflect those identified in the legal provisions covering installations funded by the CEA.

The discount rate used for the "third-party share" assets is identical to that used to calculate provisions for end-of-lifecycle operations (see principles set out in Note 1.3.11).

ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS

This heading consists of the following:

(in millions of euros)	December 31, 2017	August 31, 2017
Receivables related to end-of-lifecycle operations	744	782
Portfolio of earmarked securities	6,368	5,479
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**7,112**	**6,261**

Receivables related to end-of-lifecycle operations correspond mainly to claims on the CEA resulting from the December 2004 agreement (amended in 2015 as described below) bearing on the assumption by the CEA of a share of the cost of dismantling facilities in the La Hague and Cadarache plants and a share of waste retrieval and packaging costs at the UP2 400 plant.

Objective of hedging assets, portfolio of earmarked securities and end-of-lifecycle receivables

To meet its end-of-lifecycle obligations, the group built up a special portfolio earmarked for the payment of its future facility dismantling and waste management expenses. This obligation has applied to all nuclear operators in France since the Law no. 2006-739 of June 28, 2006 and the implementing decree no. 2007-243 of February 23, 2007 came into force. This portfolio was composed based on a schedule of disbursements over more than a century and is therefore managed with long-term objectives. The portfolio is comprised of financial assets covering all of the group's commitments, whether related to obligations imposed by the Law of June 28, 2006 for regulated nuclear facilities located in France, or related to other end-of-lifecycle commitments for facilities located in France or abroad.
The group relies on independent consultants to study strategic target asset allocations to optimize the risk/return of the portfolio over the long term and to advise it on the choice of asset classes and portfolio managers. These recommendations are submitted to the Cleanup and Dismantling Fund Monitoring Committee of the Board of Directors. Long-term asset allocations indicate the target percentage of assets to cover liabilities (bonds and money market assets, including receivables from third parties) and diversification assets (shares, etc.), subject to limits imposed by decree no. 2007-243 of February 23, 2007 and its amendment by decree no. 2013-678 of July 24, 2013, both in terms of the control and spread of risks and in terms of the type of investments.

As of December 31, 2017, for the end-of-lifecycle obligations falling within the scope of Articles L. 594-1 *et seq*. of the French Environmental Code, the legal entities comprising Orano had assets representing 101% of end-of-lifecycle liabilities. In December, an accumulated contribution of 812 million euros was made to the dismantling funds of the legal entities comprising Orano.

Orano has ensured that all Orano Cycle funds are held, registered and valued by a single service provider capable of performing the necessary control and valuation procedures independently, as required by the implementing decree.

The Equity segment is primarily managed by external service providers via:
- an equity management agreement; and
- earmarked investment funds.

The Rate segment (bonds and money market) is invested via:

- open-ended mutual funds;
- earmarked investment funds; and
- directly held bonds.

The portfolio of assets earmarked to fund end-of-lifecycle expenses includes the following:

(in millions of euros)	December 31, 2017	August 31, 2017
In market value or liquidation value		
Publicly traded shares	1,079	991
Equity investment funds	1,530	1,368
Bond and money market mutual funds	3,127	2,442
Unlisted mutual funds	139	128
At amortized cost		
Bonds and bond mutual funds held to maturity	492	550
Portfolio of securities earmarked for end-of-lifecycle operations	**6,368**	**5,479**
Receivables related to end-of-lifecycle operations	744	782
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**7,112**	**6,261**

(in millions of euros)	December 31, 2017	August 31, 2017
By region		
Eurozone	6,562	5,834
Non-euro Europe	365	345
Other	184	82
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**7,112**	**6,261**

Financial assets held as securities or mutual funds represent 90% of all earmarked assets at December 31, 2017. They are classified as follows: 39% equity, 51% bonds and money-market instruments and 10% receivables.

The contractual framework for the main receivable related to end-of-lifecycle operations (receivable from the CEA in the amount of 670 million euros at December 31, 2017) was amended in 2015 in order to define a payment schedule by the CEA for the principal and interest, with the last payment scheduled for 2024.

In addition, claims on the CEA and EDF relating to the overfunding assumed by Orano in connection with tax payments relating to financing provided to ANDRA between 1983 and 1999 were the subject of talks with the two operators in 2015. The CEA confirmed to Orano that it had recognized a liability equal to the amount of the receivable recognized by Orano, i.e. 16 million euros, in its 2016 financial statements. In addition, 11 million euros for advance payments due from a third party were recorded as of December 31, 2017.

Performance of financial assets earmarked for end-of-lifecycle operations by asset class(*)

Asset class	December 31, 2017(**)	August 31, 2017(**)
Shares	+4.7%	+7.4%
Rate products (including receivables related to end-of-lifecycle operations)	+0.5%	+1.5%
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**+2.3%**	**+3.7%**

(*) The performance shown for these asset classes only covers the portion of assets earmarked for end-of-lifecycle operations of regulated nuclear facilities subject to the French law of June 28, 2006.

(**) Performances as of August 31, 2017 refer to the first eight months of 2017, those as of December 31, 2017 cover the last four months of 2017.

Risk description and assessment

Equity investments in the portfolio of earmarked securities include mainly:

- a mandate of publicly-traded shares, which includes about thirty companies based in the European Union. The securities are held in order to generate gains over the long term. Although it is not a management guideline, the mandate will be assessed over the long term by reference to the MSCI EMU index, net dividends reinvested. The nature of the long-term mandate is not compatible with an evaluation against a benchmark;
- dedicated equity funds with diversified management strategies centered on European securities. The managers must follow strict exposure rules, depending on the objectives of the fund involved: including limits on the amounts invested in certain stocks or as a percentage of the net value of the portfolio, limits on exposures in currencies other than the euro, tracking error (relative risk compared with the benchmark), and limits on exposures to certain types of instruments. Together, these limits are designed to comply with investment rules established in the implementing decree of the Law of June 28, 2006.

For securities held by Orano Cycle, fixed income products in the portfolio of earmarked securities mainly include:

- directly held securities consisting of government bonds from the Eurozone, which will be held to maturity. They are recognized at amortized cost under "securities held to maturity";
- dedicated bond funds and open-ended money market funds. The sensitivity to interest rates of bond funds is limited in both directions, including the portfolio's overall consistency with preset long-term sensitivity objectives and the sensitivity of the liabilities to the discount rate used. The issuers' ratings (Moody's or Standard & Poor's) are used to manage the credit risk exposure of money market and bond funds.

Valuation

The mutual funds' net asset value is determined by valuing the securities held by each fund at market value on the last day of the period.

Derivatives

Derivatives may be used for hedging or to acquire a limited exposure. They are subject to specific investment guidelines prohibiting leverage. Total nominal commitments may not exceed the fund's net assets. Sales of puts and calls must be fully covered by underlying assets (and are prohibited on assets not included in the portfolio).

Risk assessment and management of the earmarked portfolio

The risks underlying the portfolios and funds holding assets under the management mandate for end-of-lifecycle operations are assessed every month. For each fund or earmarked asset, this assessment allows the maximum total loss to be estimated with a 95% level of confidence for different portfolio maturities using the VaR (Value at Risk) method and volatility estimates. A second estimate is made using deterministic scenarios: yield curve shock and/or fall in equity markets.

The impacts of changes in equity markets and interest rates on the valuation of financial assets earmarked are summarized in the following table:

Base case (December 31, 2017)	
(in millions of euros)	
Assumption: declining equity markets and rising interest rates	
-10% on equities	-275
+100 basis points on rates	-69
TOTAL	**-344**
Assumption: rising equity markets and declining interest rates	
+10% on equities	+275
-100 basis points on rates	+69
TOTAL	**+344**

Note 13 – INFORMATION ON JOINT VENTURES AND ASSOCIATES

ASSETS

At December 31, 2017, securities in joint ventures consisted mainly of Cominak in the amount of 10 million euros (versus 12 million euros at August 31, 2017).

LIABILITIES

The share of losses of joint ventures as of December 31, 2017 breaks down as follows:

- ETC in the amount of 52 million euros (compared with 47 million euros as of August 31, 2017);
- 5 million euros for SI-nerGIE.

NET INCOME

The share of income of the main joint ventures as of December 31, 2017 breaks down as follows:

- ETC in the amount of (3) million euros (compared with (5) million euros as of August 31, 2017);
- ETC in the amount of (5) million euros (compared with 15 million euros as of August 31, 2017);
- SI-nerGIE in the amount of (6) million euros (compared with (1) million euros as of August 31, 2017).

Financial information required under IFRS 12 is presented before eliminations of intercompany transactions and restatements, and is based on 100% ownership.

A joint venture is considered to be significant if its revenue or balance sheet total is more than 200 million euros. An associate is considered to be significant when its balance sheet total is more than 200 million euros.
There were no joint ventures or associates meeting the thresholds mentioned above as of December 31, 2017.

Note 14 – OTHER CURRENT AND NON-CURRENT ASSETS

(in millions of euros)	December 31, 2017	August 31, 2017
Available-for-sale securities	6	34
Derivatives on financing activities	52	57
Other	56	48
Total other non-current assets	**114**	**139**
Derivatives on financing activities	9	13
Pledged bank accounts	58	-
Other	-	1
Total other current financial assets	**67**	**14**

Other non-current assets include inventories of uranium capitalized to finance future expenditure for the redevelopment of mining sites internationally in the amount of 30 million euros as of December 31, 2017 (compared with 23 million euros as of August 31, 2017).

As of December 31, 2017, pledged bank accounts consist of bank deposits constituted in respect of contractual obligations related to the syndicated loan backed by certain future revenues of the Georges Besse II enrichment plant (“collateral”).

Note 15 – INVENTORIES AND WORK IN PROCESS

(in millions of euros)	December 31, 2017	August 31, 2017
Raw materials and other supplies	368	405
Goods in process	65	61
Services in process	1,100	1,094
Finished goods	179	388
Total gross amount	**1,712**	**1,948**
Provisions for impairment	(396)	(503)
Total net carrying amount	**1,316**	**1,445**
Inventories and work-in-process		
at cost	1,240	1,246
at fair value net of disposal expenses	76	196
	1,316	**1,445**

Eurodif SA’s inventories of separative work units (SWU) impaired on the basis of the market price at the end of August 2017 were set aside to cover long-term contracts in the backlog, resulting in a revision of the associated impairment at the end of 2017.

Note 16 – TRADE ACCOUNTS RECEIVABLE AND RELATED ACCOUNTS

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
Gross amount	819	1,018
Impairment	(3)	(4)
Net carrying amount	**816**	**1,014**

At December 31, 2017, trade accounts receivable and related accounts include receivables in the amount of 110 million euros on contracts recognized according to the percentage of completion method (compared with 130 million euros at August 31, 2017).

At December 31, 2017, the gross value of trade accounts receivable and related accounts (excluding contracts recognized using the percentage of completion method) does not include receivables maturing in more than one year.

Trade accounts receivable and related accounts (gross)*

(in millions of euros)	**Gross amount**	**Maturing in the future**	**Impaired and past due**	**of which: not impaired and past due**					
				Less than 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	More than 1 year
At December 31, 2017	**709**	607	3	20	28	4	3	15	29
At August 31, 2017	**888**	730	4	84	30	1	5	5	29

* excluding accounts receivable on contracts recognized according to the percentage of completion method.

Note 17 - OTHER OPERATING RECEIVABLES

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
French State	306	248
Advances and down payments to suppliers	35	33
Miscellaneous accounts receivable	302	216
Financial instruments	142	149
Other	5	6
Other operating receivables	**791**	**653**

“Miscellaneous accounts receivable” includes prepaid expenses, receivables from suppliers and receivables from employees and benefit management bodies.

“Financial instruments” include the fair value of derivatives hedging market transactions and the fair value of the firm commitments hedged.

Other operating receivables maturing in more than one year amount to 3 million euros.

Note 18 – CASH AND CASH EQUIVALENTS

(in millions of euros)	December 31, 2017	August 31, 2017
Cash and current accounts	740	538
Cash equivalents	1,210	2,966
Total	**1,950**	**3,504**

Based on the statement of cash flows, change in cash and cash equivalents of (1,554) million euros reflects the following items:

- operating activities in the amount of 202 million euros;
- investing activities in the amount of (938) million euros, of which (812) million euros for asset dismantling (see Note 12);
- financing activities in the amount of (838) million euros including and the redemption of a bond in the amount of (800) million euros on October 5, 2017 (see Note 23).

As of December 31, 2017, cash not available to the group amounted to 57 million euros (compared with 43 million euros as of August 31, 2017), chiefly reflecting regulatory restrictions in the amount of 54 million euros and legal restrictions in international markets in the amount of 4 million euros.

Note 19 - EQUITY

Capital

As of December 31, 2017, Orano's share capital broke down as follows:

	December 31, 2017
French State	50.16%
AREVA SA	44.44%
CEA	5.4%
Total	**100%**

Stock option plan

There is no stock option plan.

Other transactions with shareholders

Transactions with shareholders in the four months ended December 31, 2017 mainly reflected the acquisition by Orano of part of Eurodif's non-controlling interests (see Note 2), with an impact of (6) million euros in equity.

At August 31, 2017, the transactions with shareholders referred mainly to the capital increase of new AREVA Holding subscribed by the State for 2.5 billion euros (see Note 1.1). In addition, Orano acquired part of non-controlling interests in Eurodif (see Note 2).

Transactions with companies under joint control

Transactions with companies under joint control amounted to (85) million euros at August 31, 2017. They were attributable chiefly to the acquisition of Orano Projets for 64 million euros and were recorded on the basis of historical carrying amounts as recorded in AREVA's consolidated financial statements.

Note 20 - MINORITY INTERESTS

(in millions of euros)	December 31, 2017	August 31, 2017
Katco	93	80
SET and SET Holding	87	83
Somaïr	57	67
Imouraren (*)	(412)	(420)
Other	(17)	(14)
TOTAL	**(192)**	**(204)**

(*) Imouraren is held by Orano Expansion, which is in turn held by CFMM.

Orano believes it has an implicit obligation to ensure the business continuity of Eurodif and its subsidiaries; consequently, Orano recognizes all of these companies' losses and negative net equity in "net income attributable to owners of the parent" and in "equity attributable to owners of the parent".

Financial information on significant subsidiaries, required under IFRS 12, is presented before elimination of intercompany transactions.

A subsidiary is considered significant if its revenue is greater than 200 million euros, if its total balance sheet is greater than 200 million euros or if its net assets exceed 200 million euros in absolute value.

December 31, 2017

(in millions of euros)	Imouraren	Somaïr	Katco	SET	STMI
	Mining	Mining	Mining	Front end	D&S
Country	Niger	Niger	Kazakhstan	France	France
Minority interests	(*)	36.60%	49.00%	5.00%	26.14%
Revenue	**-**	**71**	**67**	**367**	**195**
EBITDA	**2**	**4**	**42**	**221**	**27**
Net income	**17**	**(30)**	**26**	**74**	**14**
Share attributable to minority interests	12	*(11)*	*13*	*4*	*4*
Current assets	10	141	98	664	156
Non-current assets	114	154	157	5,213	25
Current liabilities	(25)	(88)	(36)	(919)	(116)
Non-current liabilities	(2,070)	(57)	(21)	(3,121)	(19)
Net assets	**(1,971)**	**151**	**198**	**1,836**	**46**
Share attributable to minority interests	(547)	55	97	92	12
Cash flow from operating activities	(16)	(1)	1	108	(9)
Cash flow from investing activities	6	(8)	(9)	(77)	(2)
Cash flow from financing activities	14	-	-	(39)	-
Increase (decrease) in net cash	**4**	**(9)**	**(9)**	**(8)**	**4**
Dividends paid to minority interests	**-**	-	-	-	(2)

(*) Imouraren is held directly by Orano Expansion, whose purpose is to finance its subsidiary. The data presented for Imouraren and Orano Expansion are aggregated. The share of non-controlling interests in Imouraren is 42.34%; it is 13.49% in Orano Expansion.

August 31, 2017

(in millions of euros)	**Imouraren**	**Somaïr**	**Katco**	**SET**
	Mining	Mining	Mining	Front end
Country	Niger	Niger	Kazakhstan	France
Minority interests	(*)	36.60%	49.00%	5.00%
Revenue	**-**	**83**	**109**	**275**
EBITDA	**(3)**	**26**	**61**	**225**
Net income	**(317)**	**(11)**	**25**	**(8)**
Share attributable to minority interests	(134)	(4)	12	(0)
Current assets	5	141	73	643
Non-current assets	1,140	168	161	5,244
Current liabilities	(228)	(64)	(39)	(928)
Non-current liabilities	(2,077)	(61)	(24)	(3,199)
Net assets	**(1,161)**	**183**	**170**	**1,761**
Share attributable to minority interests	(447)	67	84	88
Cash flow from operating activities	(31)	19	62	183
Cash flow from investing activities	1	(16)	(21)	17
Cash flow from financing activities	33	-	(59)	(182)
Increase (decrease) in net cash	**3**	**4**	**(24)**	**18**
Dividends paid to minority interests	-	-	(21)	(1)

(*) Imouraren is held directly by Orano Expansion, whose purpose is to finance its subsidiary. The data presented for Imouraren and Orano Expansion are aggregated. The share of non-controlling interests in Imouraren is 42.34%; it is 13.49% in Orano Expansion.

Note 21 – EMPLOYEE BENEFITS

Depending on the prevailing laws and practices of each country, the group's companies make severance payments to their retiring employees. Long-service awards and early retirement pensions are paid, while supplementary pensions contractually guarantee a given level of income to certain employees. Some of the group's companies also grant other post-retirement benefits, such as the reimbursement of medical expenses.

The group calls on independent actuaries for a valuation of its commitments each year.

The difference between the commitment and the fair value of the covering assets is either a funding surplus or a deficit. A provision is recognized in the event of a deficit, and an asset is recognized in the event of a surplus, subject to specific conditions.

In some companies, these commitments are covered in whole or in part by contracts with insurance companies or pension funds. In such cases, the obligations and the covering assets are valued independently.

The group's key benefits

The "CAFC plan" set up in 2012 is an early retirement plan consisting of a working time account with matching contributions from the employer for personnel who work at night or in certain jobs identified in the agreement. The system is partially covered by an insurance policy.

The group's second most material early retirement system (called "TB6") is also located in France. The beneficiaries are employees who work at night or in certain types of jobs identified in the agreement.

Medical coverage partially funded by the employer for former employees during the retirement period is still in effect in some companies in France.

PROVISIONS RECOGNIZED ON THE BALANCE SHEET

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
TOTAL PROVISIONS FOR PENSION OBLIGATIONS AND OTHER EMPLOYEE BENEFITS	**1,382**	**1,358**
Medical expenses and accident/disability insurance	332	329
Retirement benefits	314	313
Job-related awards	7	7
Early retirement benefits	721	701
Supplemental retirement benefits	7	8

By region *(in millions of euros)*	**Eurozone**	**Other**	**TOTAL**
Medical expenses and accident/disability insurance	330	2	332
Retirement benefits	314	-	314
Job-related awards	7	-	7
Early retirement benefits	711	10	721
Supplemental retirement benefits	4	3	7
TOTAL	**1,366**	**15**	**1,382**

ACTUARIAL ASSUMPTIONS

Key actuarial assumptions used for valuation purposes

	December 31, 2017	**August 31, 2017**
Long-term inflation		
- Eurozone	1.5%	1.5%
Discount rate		
- Eurozone	1.5%	1.5%
Pension benefit increases		
- Eurozone	1.5%	1.5%
Social security ceiling increase (net of inflation)	+0.5%	+0.5%

Mortality tables

	December 31, 2017	**August 31, 2017**
France		
- Annuities	Mortality tables	Mortality tables
- Lump sum payments	INSEE 2000-2002 Men/Women	INSEE 2000-2002 Men/Women

Retirement age in France

	December 31, 2017	August 31, 2017
Management personnel	65	65
Non-management personnel	62	62

Average attrition is assumed to occur among employees **in each company** at a declining rate reflecting age brackets. The rates in brackets indicate [average turnover at career start - average turnover at career end].

	Management personnel		Non-management personnel	
	December 31, 2017	August 31, 2017	December 31, 2017	August 31, 2017
France	[1.6%-0%]	[1.6%-0%]	[0.7%-0%]	[0.7%-0%]

Assumed rate of salary increase, including inflation. The rates in brackets indicate [average increases at career start - average increases at career end].

	Management personnel		Non-management personnel	
	December 31, 2017	August 31, 2017	December 31, 2017	August 31, 2017
France	[2.6%; -1.1%]	[2.6%; -1.1%]	[2.6%; -1.1%]	[2.6%; -1.1%]

FINANCIAL ASSETS

As of December 31, 2017, financial assets consisted of bonds in the proportion of 90% (compared with 88% as of August 31, 2017) and other monetary instruments in the proportion of 10% (compared with 12% as of August 31, 2017).

Effective yield of retirement assets

	December 31, 2017	August 31, 2017
Europe	0.72%	0.6%

NET AMOUNT RECOGNIZED

December 31, 2017 *(in millions of euros)*	Medical expenses and accident/disability insurance	Retirement benefits	Job-related awards	Early retirement benefits	Supplemental retirement benefits	Grand total
Defined benefit obligation	332	315	7	802	51	**1,506**
Fair value of plan assets	-	1	-	81	44	**125**
Total defined benefit obligation	**332**	**314**	**7**	**721**	**7**	**1,382**

Sensitivity of the actuarial value to changes in discount rate
An across-the-board decrease in the discount rate of 0.50% would increase the defined benefit obligation by 6%.

EXPENSE FOR THE YEAR

Period ended December 31, 2017 (in millions of euros)	Medical expenses and accident/disability insurance	Retirement benefits	Job-related awards	Early retirement benefits	Supplemental retirement benefits	Total
Current service cost	2	5	-	5	-	**13**
Interest cost	2	2	-	4	-	**7**
Past service costs (including plan changes and reductions)	-	-	-	-	-	**-**
Interest income on assets	-	-	-	(1)	-	**-1**
Recognition of actuarial gains and losses generated during the year on other long-term plans (long service medals, CATS, etc.)	-	-	-	-	-	**-**
TOTAL expense with statement of income impact	**4**	**7**	**0**	**8**	**0**	**19**
Actual yield on assets net of expected yield	-	-	-	-	2	**2**
Experience differences	-	19	-	21	(2)	**38**
Demographic assumption differences	-	-	-	-	-	**-**
Financial assumption differences (adjustment of discount rate)	-	-	-	-	-	**-**
TOTAL expense with impact on other comprehensive income items	**-**	**19**	**-**	**21**	**-**	**40**
Total expense for the year	**4**	**26**	**-**	**29**	**-**	**59**

CHANGE IN THE DEFINED BENEFIT OBLIGATION

Period ended December 31, 2017 (in millions of euros)	Medical expenses and accident/disability insurance	Retirement benefits	Job-related awards	Early retirement benefits	Supplemental retirement benefits	Total
DBO at August 31, 2017	**328**	**314**	**7**	**785**	**53**	**1,488**
Current service cost	2	5	-	5	-	**13**
Past service costs (including plan changes and reductions)	-	-	-	-	-	**-**
Disposals / Liquidation / Plan reductions	-	-	-	0	-	**-**
Cost escalation	2	2	-	4	-	**7**
Benefits paid during the year	(1)	(14)	-	(24)	-	**(39)**
Employee contributions	-	-	-	-	-	**0**
Mergers, acquisitions, transfers	-	(1)	-	-	-	**(1)**
Plan transfer	-	-	-	-	-	**-**
Actuarial differences	-	19	-	21	(2)	**38**
Currency translation adjustments	-	0	-	-	-	**0**
Defined benefit obligation at December 31, 2017	**332**	**315**	**7**	**802**	**51**	**1,506**

CHANGES IN PLAN ASSETS

(in millions of euros)	
Value at August 31, 2017	**131**
Interest income on assets	1
Benefits paid by earmarked assets	(4)
Effect of mergers / acquisitions / transfers between entities	-
Actual yield on assets net of expected yield	(2)
Value at December 31, 2017	**125**

CHANGE IN THE PROVISION ESTIMATED BY THE GROUP'S ACTUARIES

(in millions of euros)	
Balance as of August 31, 2017	**1,358**
Total expense	59
Contributions collected/benefits paid	(35)
Change in method	-
Change in consolidated group	-
Reclassification	(1)
Currency translation adjustment	-
Balance at December 31, 2017	**1,382**

Note 22 – OTHER PROVISIONS

(in millions of euros)	**August 31, 2017**	**Charges**	**Reversal (when risk has materialized)**	**Reversal (when risk has not materialized)**	**Other changes (*)**	**December 31, 2017**
Restoration of mining sites and decommissioning of treatment facilities	262	1	(6)		13	270
Non-current provisions	**262**	**1**	**(6)**		**13**	**270**
Restructuring and layoff plans	153	19	(46)	(1)		125
Provisions for losses at completion	61	51	(2)	(10)		100
Accrued costs	1,210	42	(28)	(7)	6	1,223
Other provisions	276	29	(23)	(1)	1	281
Current provisions	**1,700**	**132**	**(98)**	**(11)**	**7**	**1,730**
Total provisions	**1,962**	**133**	**(104)**	**(11)**	**20**	**2,000**

(*) including 18 million euros of unwinding

PROVISIONS FOR LOSSES AT COMPLETION

Conversion contracts

Following the signing of new conversion service contracts negotiated between September 1 and December 31, 2017, Orano recorded an additional 34 million euros in provisions for losses on completion, net of reversals, based on estimated short- and medium-term conversion price trends.

PROVISIONS FOR CONTRACT COMPLETION

As of December 31, 2017, these provisions represent ancillary services yet to be rendered (waste treatment and storage) in the Front End and Back End activities.

OTHER CURRENT PROVISIONS

As of December 31, 2017 other current provisions include:

- provisions for disputes;
- provisions for customer guarantees;
- provisions for tax risks;
- provisions for ongoing cleanup;
- provisions for contingencies;
- provisions for charges.

Contract for supplies and services with ETC

In December 2015, a provision for onerous contracts of 40 million euros was recognized by SET following the signing of the “6k CSA” agreement between ETC and SET. This contract fixed the minimum purchases of supplies and services of centrifuges that each customer committed to buy from ETC, enabling it to retain centrifuge production, assembly, installation and maintenance skills at ETC.
In June 2017, a new agreement was signed for the 2017-2024 period, reducing “take or pay” purchases for SET and giving rise to reversals of provisions during the previous period.

Note 23 – BORROWINGS

(in millions of euros)	Non-current liabilities	Short-term borrowings	**December 31, 2017**	**August 31, 2017**
Interest-bearing advances	127	137	264	147
Borrowings from lending institutions and commercial paper	429	68	497	539
Bond issues (*)	4,053	111	4,165	5,060
Short-term bank facilities and current accounts in credit	-	73	73	54
Financial derivatives	5	40	45	45
Miscellaneous debt	62	-	62	61
Total	**4,676**	**429**	**5,105**	**5,906**

(*) after hedging of the interest rate risk

At December 31, 2017, borrowings included in particular:

- bond debt outstanding in the carrying amount of 4,113 million euros;
- an amortizable syndicated loan from 10 banks maturing in 2024 in the amount of 482 million euros (initial amount of 650 million euros);
- a financial current account credit balance for the ETC joint venture in the amount of 53 million euros.

Change in borrowings

(in millions of euros)	
Value at August 31, 2017	**5,906**
Cash flows	(948)
Non-cash flows:	
accrued interest not due on borrowings	41
Currency translation adjustments	(3)
Reclassification	105
Other changes	4
Value at December 31, 2017	**5,105**

The reclassification in borrowings relates to the share of a customer advance whose repayment, initially envisaged in the form of deliveries of materials, will ultimately be made in cash.

(in millions of euros)	
Cash flows of borrowings	**(948)**
Interest paid	124
Financial instruments – Assets	9
Short-term bank facilities and current accounts in credit	(17)
Cash flows of borrowings included in net cash flows from financing activities	**(832)**

Cash flows of borrowings included in net cash flows from financing activities mainly include the redemption of the bond in the amount of 800 million euros.

Borrowings by maturity, currency and type of interest rate:

(in millions of euros)	December 31, 2017
Maturing in one year or less	429
Maturing in 1-2 years	821
Maturing in 2-3 years	603
Maturing in 3-4 years	852
Maturing in 4-5 years	288
Maturing in more than 5 years	2,112
TOTAL	**5,105**

(in millions of euros)	December 31, 2017	August 31, 2017
Euro	4,973	5,799
US dollar	26	5
Yen	59	61
Other	47	40
TOTAL	**5,105**	**5,906**

(in millions of euros)	December 31, 2017	August 31, 2017
Fixed rate borrowings	4,192	4,820
Floating rate borrowings	809	900
TOTAL	**5,000**	**5,720**
Other non-interest-bearing debt	60	142
Financial derivatives	45	45
TOTAL	**5,105**	**5,906**

The maturities of the group's financial assets and borrowings at December 31, 2017 are presented in Note 28.

Bond issues after hedging

Issue date	**Balance sheet value** *(in millions of euros)*	**Currency**	**Nominal** *(in millions of currency units)*	**Nominal rate**	**Term/Expiration**
September 23, 2009	1,040	EUR	1,000	4.875%	September 2024
November 6, 2009	766	EUR	750	4.375%	November 2019
September 22, 2010	763	EUR	750	3.5%	March 2021
April 4, 2012	199	EUR	200	TEC10 + 2.125%	March 2022
September 4, 2013	519	EUR	500	3.25%	September 2020
September 20, 2013	59	JPY	8,000	1.156%	September 2018
March 20, 2014	767	EUR	750	3.125%	March 2023
TOTAL	**4,113**				

The fair value of these bond issues was 4,291 million euros at December 31, 2017.

Guarantees and covenants

As security, Areva SA has pledged, in favor of the Company, to redeem all bonds contributed to the Company and to provide a guarantee in favor of the banking counterparties of the derivative financial instruments transferred to the Company in 2016. The carrying amount of Orano SA's bonds was 4,113 million euros as of December 31, 2017.
From a contractual perspective, these guarantees will end when the 500 million euro capital increase reserved for JNFL and MHI has been carried out or when they have been redeemed. Insofar as JNFL and MHI subscribed to the capital increases reserved for them on February 26, 2018, the guarantees issued by AREVA SA to Orano SA have been canceled.

Banking covenants

The redeemable syndicated loan in the amount of 482 million euros at December 31, 2017 and maturing in June 2024 is backed by certain future revenue from the Georges Besse II enrichment plant. As such, it includes pledges of future receivables and bank accounts, and contains a covenant based on the ratio of cash flows to interest expense, which conditions payments by *Société d'Enrichissement du Tricastin* to Orano SA (dividends and internal loan repayments).

Payment schedule at December 31, 2017

(in millions of euros)	Balance sheet value	**Total payment flows**	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Interest-bearing advances	264	**264**	137	-	-	-	-	127
Borrowings from lending institutions and commercial paper	497	497	68	56	76	83	86	129
Bond issues	4,165	4,165	111	762	522	763	199	1,807
Short-term bank facilities and current accounts in credit	73	73	73	-	-	-	-	-
Miscellaneous debt	62	62	-	3	5	6	3	44
Future interest on financial liabilities	-	1,409	190	213	231	203	166	406
Total borrowings (excluding derivatives)	**5,060**	**6,469**	**580**	**1,034**	**834**	**1,055**	**454**	**2,513**
Derivatives – assets	(61)	**(61)**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – liabilities	45	45	-	-	-	-	-	-
Total net derivatives	**(16)**	**(16)**	15	(13)	(3)	(6)	5	(14)
Total	**5,044**	**6,453**	**595**	**1,021**	**831**	**1,049**	**459**	**2,498**

Payment schedule at August 31, 2017

(in millions of euros)	Balance sheet value	**Total payment flows**	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Interest-bearing advances	147	**147**	-	-	-	-	-	147
Borrowings from lending institutions and commercial paper	665	665	200	56	74	76	84	176
Bond issues	4,934	4,934	808	61	764	1,290	199	1,812
Short-term bank facilities and current accounts in credit	54	54	54	-	-	-	-	-
Miscellaneous debt	61	61	-	1	4	7	5	44
Future interest on financial liabilities	-	989	195	147	147	114	76	310
Total borrowings (excluding derivatives)	**5,861**	**6,851**	**1,257**	**265**	**989**	**1,486**	**364**	**2,489**
Derivatives – assets	(72)	**(72)**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – liabilities	46	46	-	-	-	-	-	-
Total net derivatives	**(26)**	**(26)**	7	13	(19)	(15)	5	(16)
Total	**5,835**	**6,824**	**1,264**	**278**	**970**	**1,471**	**359**	**2,473**

Note 24 - ADVANCES AND PREPAYMENTS

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
Advances and prepayments on orders	2,011	1,953
Customer advances and prepayments invested in non-current assets	854	972
Total	**2,865**	**2,924**

This item comprises operating and investment advances and prepayments made by customers. The repayment of these advances and prepayments is charged against the revenue generated by the contracts in question, which primarily concern uranium sales and investment financing for the treatment and recycling of spent fuel.

As of December 31, 2017, advances and prepayments included 2,426 million euros maturing in more than one year.

Note 25 - OTHER OPERATING LIABILITIES

(in millions of euros)	**December 31, 2017**	**August 31, 2017**
Tax debt (excluding corporate income tax)	309	406
Social security liabilities	468	458
Financial instruments	37	59
Unearned income	489	537
Other	309	316
Other operating liabilities	**1,612**	**1,776**

As of December 31, 2017, other operating liabilities included 493 million euros maturing in more than one year.

Note 26 – CASH FROM OPERATING ACTIVITIES

Change in working capital requirement

(in millions of euros)	**December 31, 2017** (4 months)	**August 31, 2017** (8 months)
Change in inventories and work-in-process	130	(183)
Change in accounts receivable and other receivables	111	(81)
Change in accounts payable and other liabilities	(203)	173
Change in trade advances and prepayments received	43	34
Change in advances and prepayments made	(2)	(1)
Change in Forex hedge of WCR	16	(21)
Change in other non-current non-financial assets	(7)	0
TOTAL	88	**(79)**

Note 27 - TRANSACTIONS WITH RELATED PARTIES

Transactions between the parent company, Orano SA, and its subsidiaries, which are related parties, are eliminated on consolidation and are therefore not disclosed in this note.

December 31, 2017

(in millions of euros)	**CEA**	**AREVA SA**	**Rest of AREVA group**	**Total**
Operating income	81	2	138	**221**
Operating expenses	2	29	14	**45**
Trade accounts receivable and other	856	71	-	**927**
Trade accounts payable and other	187	44	-	**231**

At August 31, 2017

(in millions of euros)	**CEA**	**AREVA SA**	**Rest of AREVA group**	**Total**
Operating income	126	4	115	**245**
Operating expenses	10	10	23	**43**
Trade accounts receivable and other	751	81	69	**901**
Trade accounts payable and other	211	28	61	**300**

Transactions with the CEA pertain to the dismantling work on the CEA's nuclear facilities and design engineering services. Trade and other receivables include receivables related to end-of-lifecycle operations (see Note 12).

For the last year, AREVA SA invoiced a brand fee, rents and associated services to the companies included in the scope of consolidation.

Transactions with the "Rest of the AREVA group" concern the invoicing of MOX fuel services resulting from Front End activities. Framatome left the "Rest of the AREVA group" as of December 31, 2017 (see Note 1.1).

Orano regularly carries out transactions with public sector companies, mainly EDF. Transactions with EDF concern the front end of the nuclear fuel cycle (uranium sales, conversion and enrichment services) and the back end of the cycle (spent fuel shipping, storage, treatment and recycling services).
The group has a master treatment/recycling agreement known as the "ATR Contract" with EDF, which specifies the terms of cooperation between them in the field of treatment/recycling until 2040. As part of this agreement, in February 2016 Orano and EDF signed a new implementation contract defining the technical and financial conditions for the transportation, treatment and recycling of spent fuel by Orano for EDF for the 2016-2023 period.

Orano is buying the centrifuges for its new Georges Besse 2 enrichment plant from ETC; ETC also maintains this plant. Between September 1 and December 31, 2017 (4 months), Orano disbursed 6 million euros to acquire centrifuges from ETC.

Compensation paid to key executives

(in millions of euros)	**December 31, 2017 (4 months)**	**August 31, 2017 (8 months)**
Short-term benefits	0.90	3.57
Termination benefits	0.71	0.15
Post-employment benefits	0.00	(0.20)
Other long-term benefits	0	0
TOTAL	**1.61**	**3.53**

Key executives are:
- the Chairman of the Board of Directors and the Chief Executive Officer appointed by the Board of Directors on July 27, 2017;
- members of the Executive Committee from January 1 to December 31, 2017.

Note 28 – FINANCIAL INSTRUMENTS

Orano uses financial derivatives to manage its exposure to foreign exchange and interest rate risk. These instruments are generally qualified as hedges of assets, liabilities or specific commitments.

Orano manages all risks associated with these instruments by centralizing the commitment and implementing procedures setting out the limits and characteristics of the counterparties.

FOREIGN EXCHANGE RISK

The change in the exchange rate of the US dollar against the euro may affect the group's income in the medium term.

In view of the geographic diversity of its locations and operations, the group is exposed to fluctuations in exchange rates, particularly the dollar-euro exchange rate. The volatility of exchange rates may impact the group's currency translation adjustments, equity and income.

Currency translation risk: The group does not hedge the risk of translation into euros of financial statements of subsidiaries that use a currency other than the euro, to the extent that this risk does not result in a flow. Only dividends expected from subsidiaries for the following year are hedged as soon as the amount is known.

Balance sheet risk: The group finances its subsidiaries in their functional currencies to minimize the balance sheet foreign exchange risk from financial assets and liabilities issued in foreign currencies. Loans and advances granted to subsidiaries by the department of Treasury Management, which centralizes financing, are then systematically converted into euros through foreign exchange swaps or cross currency swaps.

To limit currency risk for long-term investments generating future cash flows in foreign currencies, the group uses a liability in the same currency to offset the asset whenever possible.

Trade exposure: The principal foreign exchange exposure concerns fluctuations in the euro/U.S. dollar exchange rate. The group's policy, which was approved by the Executive Committee, is to systematically hedge foreign exchange risk generated by sales transactions, whether certain or potential (in the event of hedging during the proposal phase), so as to minimize the impact of exchange rate fluctuations on net income.

To hedge transactional foreign exchange risk, including trade receivables and payables, firm off-balance sheet commitments (customer and supplier orders), highly probable future flows (sales or purchasing budgets, projected margins on contracts) and tender proposals in foreign currencies, Orano purchases derivative financial instruments (mainly currency futures) or specific insurance contracts issued by Coface. Hedging transactions are accordingly backed by underlying transactions in identical amounts and maturities, and are generally documented and eligible for hedge accounting (excluding possible hedges of tenders submitted in foreign currencies).

As security, AREVA SA has pledged, in favor of the Company, to provide a guarantee in favor of the banking counterparties of the derivative financial instruments transferred to the Company in 2016. This guarantee ended on February 26, 2018 when the 500 million euro Orano SA capital increase reserved for JNFL and MHI was carried out. However, it was still in effect at December 31, 2017.

Financial derivative instruments set up to hedge foreign exchange risk at December 31, 2017

	Notional amounts by maturity date							Market value
(in millions of euros)	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total	
Forward exchange transactions and currency swaps	1,796	775	440	273	-	-	**3,284**	**98**
Currency options	-	-	-	-	-	-	**-**	**-**
Cross-currency swaps	59	359					**418**	**19**
TOTAL	**1,855**	**1,134**	**440**	**273**	**-**	**-**	**3,702**	**117**

Financial derivatives set up to hedge foreign exchange risk at August 31, 2017

	Notional amounts by maturity date							Market value
(in millions of euros)	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total	
Forward exchange transactions and currency swaps	1,950	724	343	121			**3,137**	**94**
Currency options	25						**25**	**(2)**
Cross-currency swaps	60	61	301				**422**	**22**
TOTAL	**2,035**	**785**	**644**	**121**	**0**	**0**	**3,584**	**114**

At December 31, 2017, financial derivatives used to hedge foreign currency exposure broke down by type of hedging strategy as follows:

(in millions of euros)	Notional amounts in absolute value	Market value
Derivatives related to cash flow hedging strategies (CFH)	**2,294**	**78**
Forward exchange transactions and currency swaps	2,294	78
Derivatives related to fair value hedging strategies (FVH)	**395**	**13**
Forward exchange transactions and currency swaps	395	13
Derivatives not eligible for hedge accounting	**1,013**	**27**
Forward exchange transactions and currency swaps	595	8
Currency options	-	-
Cross-currency swaps	418	19
Total	**3,702**	**117**

At August 31, 2017, financial derivatives used to hedge foreign currency exposure broke down by type of hedging strategy as follows:

(in millions of euros)	Notional amounts in absolute value	Market value
Derivatives related to cash flow hedging strategies (CFH)	**2,510**	**78**
Forward exchange transactions and currency swaps	2,510	78
Derivatives related to fair value hedging strategies (FVH)	**115**	**4**
Forward exchange transactions and currency swaps	115	4
Derivatives not eligible for hedge accounting	**960**	**32**
Forward exchange transactions and currency swaps	513	12
Currency options	25	(2)
Cross-currency swaps	422	22
TOTAL	**3,584**	**114**

LIQUIDITY RISK

Liquidity risk is managed by the Financing and Treasury Operations Department (“DOFT”), which provides the appropriate short- and long-term financing resources.

Cash management optimization is based on a centralized system to provide liquidity and manage cash surpluses. Management is provided by DOFT chiefly through cash-pooling agreements and intragroup loans, subject to local regulations. Cash is managed to optimize financial returns while ensuring that the financial instruments used are liquid.

COUNTERPARTY RISK

Orano is exposed to counterparty risk in respect of cash deposits with banks and the use of derivative financial instruments to hedge its risks.

To minimize this risk, Orano deals with a diversified group of front-ranking counterparties confined to those with investment grade ratings awarded by Standard & Poor’s and Moody’s.

INTEREST RATE RISK

Financial derivative instruments set up to hedge interest risk at December 31, 2017

		Notional amounts by maturity date						
(in millions of euros)	**Total**	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**	**Market value (1)**
Interest rate swaps – EUR variable lender								
EUR fixed borrower	**200**	-	-	-	-	200	-	**(4)**
Interest rate swaps – EUR variable lender								
EUR variable borrower	**100**	-	-	-	-	100	-	**(1)**
CAD variable borrower	**359**	-	359	-	-	-	-	**-**
Interest rate swaps – EUR fixed lender								
EUR variable borrower	**550**	-	50	150	150	-	200	**32**
Interest rate swaps – JPY fixed lender								
EUR variable borrower	**59**	59		-	-	-	-	**-**
Inflation rate swaps								
Variable lender – USD fixed borrower	**146**			146				**(25)**
TOTAL	**1,414**	**59**	**409**	**296**	**150**	**300**	**200**	**2**

(1) Gain/(loss)

At December 31, 2017, financial derivatives used to hedge foreign interest rate exposure broke down by type of hedging strategy as follows:

	Nominal amount of contract	Market value of contracts[1]			
(in millions of euros)		Cash flow hedges (CFH)	Fair value hedges (FVH)	Not formally documented (Trading)	Total
Interest rate swaps – EUR variable lender					
EUR fixed borrower	200	-	-	(4)	(4)
Interest rate swaps – EUR variable lender					
EUR variable borrower	100	-	-	(1)	(1)
CAD variable borrower	359			(0)	(0)
Interest rate swaps – EUR fixed lender					
EUR variable borrower	550	-	32	-	32
Interest rate swaps – JPY fixed lender					
EUR variable borrower	59			(0)	(0)
Inflation rate swaps – USD variable lender					
USD fixed borrower	146	-		(25)	(25)
TOTAL	**1,414**	**0**	**32**	**(30)**	**2**

(1) Gain/(loss)

The following tables summarize the group's net exposure to interest rate risk, before and after rate management transactions, at December 31, 2017 and at August 31, 2017.

Maturities of the group's financial assets and borrowings at December 31, 2017

(in millions of euros)	**Less than 1 year**	**1 year to 2 years**	**2 years to 3 years**	**3 years to 4 years**	**4 years to 5 years**	**More than 5 years**	**Total**
Financial assets	**2,070**	**-**	**-**	**-**	**-**	**-**	**2,070**
including fixed rate assets	-	-	-	-	-	-	-
including floating rate assets	2,061	-	-	-	-	-	2,061
including non-interest-bearing assets	9	-	-	-	-	-	9
Borrowings	**(429)**	**(821)**	**(603)**	**(852)**	**(288)**	**(2,112)**	**(5,105)**
including fixed rate borrowings	(212)	(758)	(522)	(763)	-	(1,938)	(4,194)
including floating rate borrowings	(118)	(63)	(81)	(89)	(288)	(169)	(807)
including non-interest-bearing borrowings	(100)	-	-	-	-	(5)	(105)
Net exposure before hedging	**1,641**	**(821)**	**(603)**	**(852)**	**(288)**	**(2,112)**	**(3,035)**
share exposed to fixed rates	(212)	(758)	(522)	(763)	-	(1,938)	(4,194)
share exposed to floating rates	1,943	(63)	(81)	(89)	(288)	(169)	1,254
non-interest-bearing share	(91)	-	-	-	-	(5)	(96)
Off-balance sheet hedging							
on borrowings: fixed rate swaps	59	50	150	150	(200)	200	409
on borrowings: floating rate swaps	(59)	(50)	(150)	(150)	200	(200)	(409)
Net exposure after hedging	**1,641**	**(821)**	**(603)**	**(852)**	**(288)**	**(2,112)**	**(3,035)**
share exposed to fixed rates	(153)	(708)	(372)	(613)	(200)	(1,738)	(3,785)
share exposed to floating rates	1,884	(113)	(231)	(239)	(88)	(369)	845
non-interest-bearing share	(91)	-	-	-	-	(5)	(96)

On the basis of exposure at the end of December 2017, a 1% increase in interest rates over a full year would have an adverse impact of -8 million euros on net borrowing costs, and as such on the group's consolidated pre-tax income.

Maturities of the group's financial assets and borrowings at August 31, 2017

(in millions of euros)	Less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years	Total
Financial assets	**3,575**	**0**	**0**	**0**	**0**	**0**	**3,575**
including fixed rate assets	24	-	-	-	-	-	24
including floating rate assets	3,511	-	-	-	-	-	3,511
including non-interest-bearing assets	41	-	-	-	-	-	41
Borrowings	**(1,102)**	**(118)**	**(842)**	**(1,373)**	**(288)**	**(2,184)**	**(5,906)**
including fixed rate borrowings	(767)	3	(764)	(1,290)	0	(1,962)	(4,780)
including floating rate borrowings	(78)	(120)	(78)	(82)	(288)	(217)	(864)
including non-interest-bearing borrowings	(258)	-	-	-	-	(5)	(262)
Net exposure before hedging	**2,473**	**(118)**	**(842)**	**(1,373)**	**(288)**	**(2,184)**	**(2,331)**
share exposed to fixed rates	(743)	3	(764)	(1,290)	0	(1,962)	(4,756)
share exposed to floating rates	3,433	(120)	(78)	(82)	(288)	(217)	2,647
non-interest-bearing share	(217)	-	-	-	-	(5)	(222)
Off-balance sheet hedging							
on borrowings: fixed rate swaps			50	300	(200)	200	350
on borrowings: floating rate swaps			(50)	(300)	200	(200)	(350)
Net exposure after hedging	**2,473**	**(118)**	**(842)**	**(1,373)**	**(288)**	**(2,184)**	**(2,331)**
share exposed to fixed rates	(743)	3	(714)	(990)	(200)	(1,762)	(4,406)
share exposed to floating rates	3,433	(120)	(128)	(382)	(88)	(417)	2,297
non-interest-bearing share	(217)	-	-	-	-	(5)	(222)

EQUITY RISK

The group holds a significant amount of publicly traded shares and is exposed to fluctuations in the financial markets. Those traded shares are subject to a risk of volatility inherent in the financial markets. They are presented in the investment portfolio earmarked for end-of-lifecycle operations (see Note 12).

Over a full year, a gain of 10% in the equity markets would have a positive impact of 344 million euros on "available-for-sale" securities in profit or loss. A decline of 10% would have negative impact of -344 million euros in profit or loss.

Note 29 - ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

December 31, 2017

Assets

		Including						
(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	**7,226**	**29**	**887**		**5,765**	**492**	**52**	**7,333**
Assets earmarked for end-of-lifecycle operations	7,112		860		5,759	492		7,248
Other non-current assets	114	29	27		6		52	85
Current assets	**3,681**	**612**	**1,711**	**1,210**			**148**	**3,069**
Trade accounts receivable and related accounts	816	110	706					706
Other operating receivables	791	453	198				139	337
Other non-operating receivables	57	49	8					8
Cash and cash equivalents	1,950		740	1,210				1,950
Other current financial assets	67		58				9	67
Total assets	**10,906**	**641**	**2,598**	**1,210**	**5,765**	**492**	**200**	**10,402**

	Level 1 Listed prices, unadjusted	**Level 2** Observable data	**Level 3** Non-observable data	**TOTAL**
Non-current assets	**6,133**	**306**	**6**	**6,446**
Assets earmarked for end-of-lifecycle operations	6,133	254		6,388
Other non-current financial assets		52	6	58
Current assets	**1,210**	**148**		**1,358**
Other operating receivables		139		139
Cash and cash equivalents	1,210			1,210
Other current financial assets		9		9
Total assets	**7,343**	**454**	**6**	**7,804**

Liabilities and equity

Including						
(in millions of euros)	Balance sheet value	Non-financial assets and liabilities	Shareholders' equity and liabilities at amortized cost	Fair value recognized in profit or loss	Derivatives(*)	Fair value of financial assets
Non-current liabilities	**4,676**		**4,671**		**5**	**4,852**
Long-term borrowings	4,676		4,671		5	4,852
Current liabilities	**2,676**	**806**	**1,821**		**49**	**1,870**
Short-term borrowings	429		389		40	**429**
Trade accounts payable and related accounts	569		569			569
Other operating liabilities	1,612	805	798		9	807
Other non-operating liabilities	66	1	65			65
Total liabilities	**7,352**	**806**	**6,492**		**54**	**6,722**

(*) Level 2

August 31, 2017

Assets

Including								
(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	**6,400**	**23**	**858**		**4,913**	**550**	**57**	**6,512**
Assets earmarked for end-of-lifecycle operations	6,261		833		4,879	550		6,396
Other non-current assets	139	23	25		34		57	116
Current assets	**5,252**	**615**	**1,512**	**2,966**			**159**	**4,637**
Trade accounts receivable and related accounts	1,014	130	884					884
Other operating receivables	653	434	73				145	219
Other non-operating receivables	68	51	16					16
Cash and cash equivalents	3,504		538		2,966			3,504
Other current financial assets	14						14	14
Total assets	**11,652**	**638**	**2,370**	**2,966**	**4,913**	**550**	**216**	**11,149**

	Level 1 Listed prices, unadjusted	Level 2 Observable data	Level 3 Non-observable data	TOTAL
Non-current assets	**5,309**	**339**	**7**	**5,654**
Assets earmarked for end-of-lifecycle operations	5,309	254		5,563
Other non-current financial assets		85	7	91
Current assets	**2,966**	**159**		**3,125**
Other operating receivables		145		145
Cash and cash equivalents	2,966			2,966
Other current financial assets		14		14
Total assets	**8,275**	**498**	**7**	**8,779**

Liabilities and equity

		Including				
(in millions of euros)	**Balance sheet value**	**Non-financial assets and liabilities**	**Shareholders' equity and liabilities at amortized cost**	**Fair value recognized in profit or loss**	**Derivatives(*)**	**Fair value of financial assets**
Non-current liabilities	**4,804**		**4,799**		**5**	**4,976**
Long-term borrowings	4,804		4,799		5	4,976
Current liabilities	**3,536**	**954**	**2,518**		**65**	**2,593**
Short-term borrowings	1,102		1,062		40	**1,113**
Trade accounts payable and related accounts	587		587			587
Other operating liabilities	1,776	953	798		25	823
Other non-operating liabilities	71	1	70			70
Total liabilities	**8,340**	**954**	**7,316**		**69**	**7,569**

(*) Level 2

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Available-for-sale securities

December 31, 2017 (4 months)

			Subsequent valuation		
(in millions of euros)	Interest income and dividends	Other income and expenses	Changes in fair value and foreign exchange impact	Impairment	Gain (loss) from disposal
Shareholders' equity *			104		2
Net income	13	-		(16)	1
Total	**13**	**-**	**104**	**(16)**	**3**

** : excluding tax impact*

At December 31, 2017, the net change in the fair value of available-for-sale securities recognized in "other items of comprehensive income" represented a total unrealized gain of 298 million euros.

August 31, 2017 **(8 months)**

(in millions of euros)	Interest income and dividends	Other income and expenses	Subsequent valuation Changes in fair value and foreign exchange impact	Impairment	Gain (loss) from disposal
Shareholders' equity *			38		(168)
Net income	113			(2)	253
Total	**113**	**-**	**38**	**(2)**	**85**

** : excluding tax impact*

At August 31, 2017, the net change in the fair value of available-for-sale securities recognized in "other items of comprehensive income" represented a total unrealized gain of 192 million euros.

Loans and receivables

December 31, 2017 **(4 months)**

(in millions of euros)	Interest	Impairment	Debt forgiveness
Net income	13	4	-

August 31, 2017 **(8 months)**

(in millions of euros)	Interest	Impairment	Debt forgiveness
Net income	35	2	(1)

Financial assets and liabilities at fair value recognized through profit or loss

Income in respect of financial assets and financial liabilities recognized at fair value through profit or loss at December 31, 2017 was an expense of (1) million euros, compared with nil at August 31, 2017.

Financial liabilities at amortized cost

December 31, 2017 **(4 months)**

(in millions of euros)	Interest expense and commissions	Other income and expenses
Net income	(61)	-

August 31, 2017 **(8 months)**

(in millions of euros)	Interest expense and commissions	Other income and expenses
Net income	(150)	-

Cash flow hedges

(in millions of euros)	**Value before tax at August 31, 2017**	New transactions	Change in value	Recognized in profit or loss	**Value before tax at December 31, 2017**
Cash flow hedging instruments	**110**	7	11	(1)	**127**

Lasting impairment of available-for-sale securities

(in millions of euros)	Amounts as of August 31, 2017	Charges	Reversal of depreciation on disposals	Currency translation adjustments	Other changes	Value before tax at December 31, 2017
Earmarked funds	(108)	-	-	-	-	(108)
Other available-for-sale securities	(29)	(17)	-	-	-	(46)
TOTAL	**(137)**	**(17)**	**-**	**-**	**-**	**(154)**

Unrealized capital losses on available-for-sale securities not recognized through profit and loss

(in millions of euros)	Unrealized capital losses at December 31, 2017	Including maturity in less than 1 year	Of which: maturing in 1 to 2 years
Mandate	(19)	(11)	(8)
Bond funds	(10)	-	(10)
TOTAL	**(29)**	**(11)**	**(18)**

Note 30 – OFF-BALANCE-SHEET COMMITMENTS

(in millions of euros)	December 31, 2017	*Less than 1 year*	*From 1 to 5 years*	*More than 5 years*	August 31, 2017
COMMITMENTS GIVEN	**343**	**137**	**165**	**41**	**340**
Operating commitments given	293	122	157	14	306
• *Contract guarantees given*	*267*	*109*	*147*	*11*	*281*
• *Other guarantees and guarantees related to operating activities*	*26*	*13*	*11*	*3*	*26*
Commitments given on financing	31	6	8	17	11
Other commitments given	18	9	-	9	23
COMMITMENTS RECEIVED	**119**	**89**	**30**	**-**	**117**
Operating commitments received	119	89	30	-	116
Commitments received on collateral	-	-	-	-	-
Other commitments received	-	-	-	-	1
RECIPROCAL COMMITMENTS	**407**	**64**	**343**	**-**	**353**

Note 31 – DISPUTES AND CONTINGENT LIABILITIES

Orano may be party to certain regulatory, judicial or arbitration proceedings in the normal course of business. The group is also the subject of certain claims, lawsuits or regulatory proceedings which go beyond the ordinary course of business. The most significant are summarized below.

GADOULLET

On October 6, 2016, Jean-Marc Gadoullet sued AREVA SA and Orano Cycle SA before the Nanterre Tribunal de Grande Instance to obtain payment of compensation that he claims to be due for services he claims to have rendered to the Orano group in Niger between September 2010 and October 2013. AREVA SA and Orano Cycle SA consider Mr. Gadoullet's claims to be unfounded and, as a preliminary point, challenged the jurisdiction of the Tribunal de Grande Instance in this matter. The Tribunal rejected this argument and declared itself competent in a ruling handed down on February 6, 2018. AREVA SA and Orano Cycle SA have appealed this decision.

INVESTIGATIONS

The company is aware of a preliminary investigation initiated by the National Financial Prosecutor at the end of July 2015 concerning a uranium trade performed in 2011.
This investigation is taking place within the framework of legal proceedings against parties unknown; no entity of the Orano group is currently implicated.

CONTINGENT LIABILITIES

In Canada, Orano is faced with uncertainty as to the method of calculating mining royalties, since the legislation of the Province of Saskatchewan refers to “market prices”, although the government provides no instructions or guidance on how to set or demonstrate a market price.

Note 32 - AUDITORS' FEES

December 31, 2017 (4 months)

(in thousands of euros)	**Ernst & Young**		**Mazars**		**Other**	
	Amount excl. tx	**%**	Amount excl. tx	**%**	Amount excl. tx	**%**
Independent audit, certification & examination of the separate and consolidated financial statements						
Issuer	331	27%	399	38%	-	
Fully consolidated subsidiaries	419	35%	547	51%	222	100%
Sub-total	**750**	**62%**	**946**	**89%**	**222**	**100%**
Services other than auditing the financial statements						
Issuer	349	29%	100	9%		
Fully consolidated subsidiaries	115	9%	17	2%		
Sub-total	**464**	**38%**	**117**	**11%**	**-**	
TOTAL	**1,214**	**100%**	**1,062**	**100%**	**222**	**100%**

Services other than auditing the financial statements mainly concern:

- the review of environmental, social and societal information;
- other certifications.

Note 33 – SUBSEQUENT EVENTS

On February 26, 2018, the second capital increase reserved for MHI and JNFL, in a total amount of 500 million euros, was completed (see Note 1.1).

7.2 Company Financial Statements for the 4 months ended December 31, 2017

Orano

(Formerly New AREVA Holding)

COMPANY FINANCIAL STATEMENTS

Year ended December 31, 2017

(Financial year of four months from September 1 to December 31, 2017)

N.B.: All amounts are presented in thousands of euros unless otherwise indicated.
Rounding may in some cases lead to differences in totals or in changes.

CONTENTS

STATEMENT OF FINANCIAL POSITION

Assets *(in thousands of euros)*	Note	Dec. 2017 Gross	Dec. 2017 Amortization & Write-downs	Dec. 2017 Net	Aug. 2017 Net
Uncalled share capital					
Non-current assets					
Research and development expenses					
Concessions, patents, licenses, software and similar					
Leasehold					
Other intangible assets					
Intangible assets in progress					
Advances and prepayments					
Total intangible assets					
Land					
Buildings					
Plant, equipment and tooling					
Other property, plant and equipment					
Plant, property and equipment in progress					
Advances and prepayments on PPE					
Total property, plant and equipment					
Associates		5,519,416	638,802	4,880,614	4,261,317
Loans to associates		3,182,842	101,605	3,081,237	3,361,177
Long-term shareholdings in trading portfolio					
Other long-term securities					
Loans					
Other long-term investments		7,061		7,061	7,061
Total long-term investments	**5.1./5.2.**	**8,709,320**	**740,408**	**7,968,912**	**7,629,555**
Total non-current assets		**8,709,320**	**740,408**	**7,968,912**	**7,629,555**
Current assets					
Raw materials and supplies					
Goods in process					
Intermediate and finished products					
Goods					
Total inventories and work-in-process					
Advances and prepayments on orders		**816**		**816**	
Accounts receivable and related accounts		11,152		11,152	16,888
Other accounts receivable		258,323		258,323	207,534
Subscribed capital called for, unpaid					
Total receivables	**5.3.**	**269,475**		**269,475**	**224,422**
Marketable securities		1,156,584	504	1,156,081	2,937,990
Cash instruments		19,104		19,104	21,900
Cash and cash equivalents		735,636	5,738	729,898	535,772
Total cash and marketable securities	**5.5.**	**1,911,324**	**6,241**	**1,905,082**	**3,495,662**
Prepaid expenses		**765**		**765**	**765**
Total current assets		**2,182,379**	**6,241**	**2,176,138**	**3,720,848**
Deferred charges		5,891		5,891	6,431
Bond redemption premiums		10,564		10,564	11,425
Unrealized foreign exchange gains					
GRAND TOTAL		**10,908,154**	**746,649**	**10,161,505**	**11,368,259**

Shareholders' equity and liabilities

in thousands of euros	Note	Dec. 2017	Aug. 2017
Share capital	**5.6.**	**118,869**	**118,869**
Additional paid-in capital, merger premiums, share premiums		3,065,056	3,065,056
Legal reserve		10,886	10,886
Reserves in accordance with the articles of association			
Other reserves		4,041	4,041
Retained earnings		(788,904)	98,575
Net income for the year		**563,468**	**(887,479)**
Investment subsidies			
Tax-driven provisions			
Total shareholders' equity	**5.7.**	**2,973,415**	**2,409,948**
Other shareholders' equity			
Proceeds from issues of equity securities			
Advances subject to covenants			
Total other shareholders' equity			
Provisions for contingencies and losses			
Provisions for contingencies		13,614	9,911
Provisions for losses		35	80
Total provisions for contingencies and losses	**5.8.**	**13,649**	**9,991**
Liabilities			
Convertible bond issues			
Other bond issues		4,072,224	4,957,255
Bank borrowings			30
Miscellaneous loans and borrowings		2,752,988	3,670,021
Advances and prepayments on orders			
Trade accounts payable and related accounts		64,154	43,471
Taxes and employee-related liabilities		1,446	2,937
Accounts payable on non-current assets and related accounts			
Other liabilities		191,357	176,319
Financial instruments		4,315	2,764
Unearned income		87,958	95,521
Total liabilities	**5.9.**	**7,174,441**	**8,948,319**
Unrealized foreign exchange losses			
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**10,161,505**	**11,368,259**

STATEMENT OF INCOME

in thousands of euros	Note Appendi	Dec. 2017 (4 months)	Aug. 2017 (8 months)
Operating income			
Sales of goods			
Sales of products			
Services performed		10,531	28,593
Revenue (1)		**10,531**	**28,593**
Production in inventory			
Self-constructed assets			
Operating subsidies			
Reversals of provisions, amortization and depreciation		80	
Transferred expenses			
Other income			
Total operating income		**10,611**	**28,593**
Operating expenses			
Purchase of goods			
Change in inventory (goods)			
Purchases of raw materials and other supplies			
Change in inventory (raw materials and supplies)			
Other purchases and expenses		56,663	91,031
Taxes and related expenses		46	205
Salaries and other compensation		325	229
Social security taxes		113	95
Amortization, depreciation and provisions		575	1,411
Other expenses		188	11
Total operating expenses		**57,910**	**92,984**
Current operating income	**6.1.**	**(47,298)**	**(64,391)**
Share of net income from joint operations			
Profit allocated or loss transferred			
Loss allocated or profit transferred			
Financial income			
From equity interests		41,919	103,226
From other marketable securities and capitalized receivables			
Other interest and related income		26,348	15,147
Reversals of provisions, amortization and depreciation		563,595	20,287
Transferred expenses			
Foreign exchange gains		55,031	138,595
Net income from disposals of marketable securities			
Total financial income		**686,893**	**277,255**
Financial expenses			
Amortization, depreciation and provisions		11,010	819,309
Interest and related expenses		76,973	131,212
Foreign exchange losses		55,936	148,083
Net loss on disposals of marketable securities		847	2
Total financial expenses		**144,765**	**1,098,606**
NET FINANCIAL INCOME	**6.2.**	**542,127**	**(821,351)**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**494,829**	**(885,741)**
(1) including direct exports		***281***	***386***

STATEMENT OF INCOME (continued)

(in thousands of euros)	Note Appendix	Dec. 2017 (4 months)	Aug. 2017 (8 months)
Exceptional income			
On financial management transactions			
On capital or non-current asset transactions			32
Reversals of provisions, amortization and depreciation			
Transferred expenses			
Total exceptional income			**32**
Exceptional expenses			
On financial management transactions			
On capital or non-current asset transactions			32
Amortization, depreciation and provisions			
Total exceptional expenses			**32**
Exceptional items		**-**	**-**
Employee profit-sharing		2	
Income tax	**6.3.**	(68,641)	1,737
NET INCOME		**563,468**	**(887,479)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The notes hereunder supplement the statement of financial position for the period ended December 31, 2017 showing total assets of 10,161,505 thousand euros, and the statement of income, showing net income of 563,468 thousand euros. This period corresponds to the four-month period between September 1 and December 31, 2017.

The notes include:

- highlights of the year;
- accounting principles and methods;
- changes in accounting methods;
- notes to the statement of financial position;
- notes to the statement of income;
- additional information.

These notes and tables form an integral part of the annual financial statements to December 31, 2017 approved by the Board of Directors on March 28, 2018. The allocation of the net income for the period ended August 31, 2017 has not been submitted for the approval of the General Meeting of Shareholders of Orano SA. The net income for the financial year is however included under "Retained earnings" for the presentation of the balance sheet.

1. CONTEXT OF THE STATEMENTS AND HIGHLIGHTS OF THE PERIOD

1.1. Creation of the Orano group

The restructuring of the AREVA group notably consisted of the creation of New AREVA, a group focused on the mining, conversion-enrichment, spent fuel recycling, nuclear logistics, dismantling and nuclear cycle engineering activities.

The first stage in this restructuring took place on November 10, 2016 with the completion of AREVA SA's contribution to New AREVA Holding of all subsidiaries and interests operating in the nuclear fuel cycle.

In 2017, the final changes to the scope relating to the nuclear fuel cycle activities were completed, including notably the acquisition of Orano Projets.

On January 22, 2018, the Extraordinary General Meeting of New AREVA Holding approved the Company's change of name and adopted “Orano” as the new corporate name. The legal names of the Group's main subsidiaries were also modified to remain consistent with the new name.

As such, in this document, the terms "Orano SA" and "Company" mean the French société anonyme Orano, which until January 22, 2018, was known as New AREVA Holding, and was also known as NewCo, pending the change in name. The terms "Group" and "Orano" mean the group constituted of Orano SA and all of its direct and indirect subsidiaries and associates. Subsidiaries are also referred to by their new legal names.

1.2. Recapitalization of the Company by the French State and acquisition by CEA of an equity stake in the Company

In 2016, as part of the restructuring of the AREVA group, the French authorities notified the European Commission of a restructuring aid measure which took the form of twin capital increases by the injection of public capital on the one hand, in the amount of 2 billion euros in AREVA SA, and on the other a maximum amount of 2.5 billion euros in New AREVA Holding.

On January 10, 2017, following the review of this matter by the European Commission, the latter authorized the French State's participation in the capital increases of AREVA SA and the Company, subject to:

- the authorization by the European Commission of the merger between EDF and New NP (entity known as Framatome from January 4, 2018);
- 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, duly notified to AREVA SA in view of the sale of New NP (entity known as Framatome from January 4, 2018), 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.

On July 12, 2017, the Board of Directors of the Company, noting the fulfillment of the preconditions set by the European Commission, decided to use the delegation granted by the General Meeting of February 3, 2017 to implement the capital increase of the Company, for the portion reserved for the French State. This capital increase of 2.5 billion euros was carried out on July 26, 2017.

On August 16, 2017, the Ministry for Ecological and Solidarity Transition, the Ministry of the Armed Forces, the Ministry for the Economy and Finance, the Ministry of Public Action and Accounts and the Ministry of Higher Education, Research and Innovation approved the sale by the French State of 12,774,283 Company shares to the Commissariat à l'énergie atomique et aux énergies alternatives (the "CEA"). Following this approval, the French State transferred to the CEA, on September 22, 2017, 5.4% of the share capital of the Company.

1.3. Change in closing date

The 2.5 billion euro capital increase of the Company reserved for the French State on July 26, 2017 had the effect of reducing AREVA SA's stake in the Company's capital from 100% to 44.4%, thereby removing the latter from the tax consolidation group initially formed by AREVA SA.

Since then, and in order to constitute the Company's own tax consolidation group from September 1, 2017, it was decided by the Company's Combined General Meeting of July 27, 2017 to temporarily modify the closing date of the financial year, by bringing forward the close of the financial year begun on January 1, 2017 to August 31, 2017 (eight-month financial period), and to return to a closing date of December 31 starting with the financial period beginning on September 1, 2017 (four-month financial period).

In this context, the Company has prepared company and consolidated financial statements for the eight-month financial period ended on August 31, 2017. At the closing date of December 31, 2017, Orano prepared company and consolidated financial statements for the four-month financial period ended December 31, 2017.

The constitution of the Company's tax consolidation group in France on September 1, 2017 has enabled the latter, since this date and as permitted by law, to offset the profits and losses of the main French companies within its group - including Orano SA - to calculate the tax expense payable after this offsetting by Orano SA as parent company of the group.

The company financial statements present all information required for the financial period ended December 31, 2017 with an exceptional duration of four months. Consequently, the financial statements to December 31, 2017 (covering a four-month period) are not comparable to those of the preceding financial period (covering an eight-month period).

1.4. Capital increases reserved for JNFL and MHI

Under the terms of the Investment Protocol and the Shareholders' Agreement dated March 13, 2017, and their amendments dated July 26, 2017, industrial groups Mitsubishi Heavy Industries (MHI) and Japan Nuclear Fuel Ltd (JNFL), the French State and AREVA agreed on two capital increases reserved for MHI and JNFL, for a 5% equity stake each and a cumulative amount of 500 million euros, subject to the fulfillment of conditions precedent including the recapitalization of the Company by the French State, the sale of the majority control of New NP to EDF, and the satisfaction of standard conditions pertaining to the acquisition of equity interests.

The capital increases reserved for MHI and JNFL were carried out on February 26, 2018, when the funds that had been placed in trust on July 26, 2017, at the same time as the capital increase subscribed by the French State, were released and used for the subscription by JNFL and MHI to the second capital increase of Orano SA.

Following this transaction, Orano SA's shareholding structure is now as follows: 45.2% for the French State, 4.8% for the CEA, 40% for AREVA SA and 5% for JNFL and 5% for MHI.

1.5. Liquidity position and continuity of operations

Continuity of operations is assessed for the entire Orano group insofar as Orano SA, as the group's centralizing cash-pooling company, must ensure the financing of its subsidiaries' requirements.

Orano confirms its objective of generating positive consolidated net cash flow from company operations with effect from the 2018 financial year. At December 31, 2017, Orano's short-term borrowings amounted to 429 million euros and included in particular:

- the expiry of a bond issue of approximately 59 million euros;
- the amortization of the loan backed by certain future revenue from the Georges Besse II enrichment plant for 60 million euros (borne by the subsidiary SET SAS);
- interest-bearing advances for 137 million euros;
- short-term bank facilities and non-trade creditor current accounts for 73 million euros.

In order to meet these commitments and ensure the continuity of operations over the long term, Orano had gross cash available at December 31, 2017 of 1.95 billion euros. In addition, the capital increase of 0.5 billion euros reserved for third-party investors was completed on February 26, 2018.

The objective of these financial resources is to allow Orano to ensure its development and its ability to refinance independently on the markets over the medium term. Beyond the next 12 months, the first significant debt maturities are comprised of the repayment of a bond issue of 750 million euros which is due to mature on November 6, 2019.

1.6. Acquisition of Orano Med

As part of the restructuring of the Orano group, Orano SA acquired the company Orano Med from Orano Cycle, on December 12, 2017 for the sum of 63,800 thousand euros.

1.7. Write-down of investments in and loans to associates

As described in Note 2.1., at the end of each financial year, each Group activity is valued according to its projected profitability.

The recoverable amounts are translated into the accounts by an adjustment of the write-down of certain investments in associates, of non-trade current accounts, of loans to associates held by Orano SA (see Note 5.2.), and of provisions for financial risk (see Note 5.8.). The main reversal of the writedown of securities for the period concerns Orano Mining for the amount of 536,497 thousand euros, mainly as a result of the rise in the share price of the mining assets, reflecting the optimization of the costs of mining plans and the change in the backlog over the financial year.

2. ACCOUNTING PRINCIPLES AND METHODS

The annual financial statements of Orano SA for the year ended December 31, 2017 were prepared in accordance with French accounting standards as defined in Articles 121-1 to 121-5 et seq. of the *Plan Comptable Général* 2016 (French GAAP). The accounting policies were applied in compliance with the provisions of the French Commercial Code, the Accounting Decree of November 29, 1983 and ANC regulations 2014-03, 2015-06 and 2016-07 concerning the redrafting of the *Plan Comptable Général* applicable to year-end closing.

2.1. Long-term investments

Long-term investments appear on the assets side of the balance sheet at their transfer value or acquisition cost. The acquisition cost means the purchase price plus costs directly related to the purchase, in particular commissions paid to acquire the investment.

Investments in associates are written down when their original cost exceeds their value in use, determined investment by investment.

This write-down is calculated based on the share of net assets held at year end. This assessment also takes into account the subsidiaries' estimated profitability or market value, as well as events or situations subsequent to year-end.

Loans to associates are recorded at face value. A provision for impairment is recognized if necessary to reflect the actual value at year end.

2.2. Receivables and borrowings

Receivables and borrowings are recorded at nominal value. Receivables may be written down by a provision to reflect potential collection difficulties based on information available at closing.

Receivables and borrowings in foreign currencies are translated and recorded in euros based on exchange rates in effect at year end. Unrealized gains and losses are recorded on the balance sheet as currency translation differences. Receivables and borrowings in foreign currencies whose exchange rates have been hedged are recorded in euros based on the hedged rate. Unrealized foreign exchange losses are recognized through a contingency provision.

2.3. Financial instruments

Orano SA uses derivatives to hedge foreign exchange risks and interest rate risks both for its own transactions and those carried out by its subsidiaries. The derivatives used consist mainly of: forward exchange contracts, currency and interest rate swaps, inflation swaps and currency options.

The company has applied ANC regulation 2015-05 since January 1, 2017. The implementation of this regulation had no significant impact.

The risks hedged relate to receivables, borrowings and firm commitments in foreign currencies. The derivatives traded to hedge subsidiaries' exposure are systematically backed by symmetrical instruments with banking counterparties to hedge the exposure of New Orano SA.

Accounting principles:

- Gains and losses on derivatives traded to hedge the subsidiaries' exposure are recognized through profit and loss at maturity, thus matching the gains and losses recognized on the derivatives negotiated by Orano SA with the banks.
- Interest rate derivatives traded by Orano SA are qualified as hedging instruments. Interest is recognized as accrued.

2.4. Non-trade current accounts

Non-trade current accounts are reported under "Cash and cash equivalents" on the assets side of the balance sheet. Otherwise, they appear on the liabilities side under "Borrowings".

2.5. Marketable securities

Marketable securities are valued at the lower of their acquisition cost or their net carrying amount. A provision for impairment is recorded when the valuation at the end of the period shows an overall capital loss by class of securities. The net carrying amount is equal to the average closing market price of the securities for the last month of the period.

2.6. Bond issues

Bond debt is recognized as borrowings, as provided in generally accepted accounting principles in France (*Plan Comptable Général*).

Redemption premiums and deferred charges related to bond issues are amortized in a straight line over the term of the issue.

2.7. Provisions for contingencies and losses

AREVA's provisions for contingencies and losses are consistent with French accounting board rules on liabilities dated December 7, 2000 (CRC 2000-06).

AREVA SA records provisions for contingencies and losses, for instance to cover restructuring or litigation expenses.

Contingent liabilities represent obligations that are neither probable nor certain at the date of closing, or obligations that are probable but where no resource is likely to be expended. Contingent liabilities are not recognized in provisions, but rather disclosed in the notes (see Section 5.8.).

2.8. Exceptional items

Items related to the company's ordinary operations are recognized in income before tax and extraordinary items, even if they are exceptional in terms of frequency or amount. Only items that are not related to the company's ordinary operations are recognized as exceptional items in the income statement, in addition to transactions specifically qualified as exceptional items under French GAAP (regulated provisions, reversals of investment subsidies, gains on disposals of certain assets, etc.).

2.9. Tax information

As part of the AREVA group restructuring plan, Orano SA benefited from a capital increase for the French State on July 26, 2017, which resulted in a reduction in the percentage held by AREVA SA in its share capital to below the threshold of 95%. It therefore withdrew from the AREVA SA tax consolidation group, as did its direct and indirect subsidiaries.

Orano SA decided, pursuant to Article 223A of the French General Tax Code, to create a new tax group in France with effect from September 1, 2017 and to appoint itself the sole body responsible for the income tax due on the comprehensive income of the group made up of itself and the French subsidiaries in which it owns at least 95% of the share capital. Pursuant to the provisions of Article 229A – II of the French General Tax Code, tax group companies must have the same financial year opening and closing dates. The parent company Orano SA, as well as the consolidated subsidiaries from September 1, 2017, closed their first financial period of 2017 covering the eight months to August 31, 2017 and opened a new four-month financial period on September 1, running until December 31, 2017.

Within the tax consolidation group, Orano SA signed agreements with each of its subsidiaries designed to manage their relations in respect of the tax expense to be recognized, any tax payments and the calculation and transfer of tax credits. These agreements respect the principle of neutrality, that is, they specify that each of the consolidated companies calculate its tax expense as though it were taxable independently. They set out the rules applicable in the event that a subsidiary should leave the scope of tax consolidation. These rules continue to aim for neutrality and refer in such circumstances to the drafting of a future exit agreement.

3. CHANGES IN ACCOUNTING METHODS

The accounting methods used for this financial year remain unchanged from the previous financial year.

4. EVENTS SUBSEQUENT TO YEAR-END CLOSING

On February 26, 2018, the second capital increase reserved for MHI and JNFL for a total amount of 500 million euros, was completed (see Note 1.4).

5. NOTES TO THE BALANCE SHEET

5.1. Long-term investments

Gross amount *(in thousands of euros)*	Note Appendix	Aug. 2017	Increase	Decrease	Dec. 2017
Associates	**5.1.1.**	**5,455,616**	63,800		**5,519,416**
Loans to associates	**5.1.2.**	**3,464,226**	592,063	873,447	**3,182,842**
Investment portfolio					
Other long-term securities					
Loans					
Other long-term investments:					
- Receivables related to end-of-lifecycle operations					
- End-of-lifecycle assets - Third party share					
- Other long-term investments	**5.1.3.**	**7,061**			**7,061**
TOTAL LONG-TERM INVESTMENTS		**8,926,903**	**655,863**	**873,447**	**8,709,320**

5.1.1. The "Associates" line totals 5,519,416 thousand euros. It is predominantly comprised of the following securities:

- Orano Cycle 2,518,292 thousand euros
- Orano Mining 2,356,194 thousand euros
- Orano USA LLC 358,391 thousand euros
- Orano Support 122,069 thousand euros
- Orano Projets 63,844 thousand euros
- Orano Med 63,800 thousand euros

The change corresponds to the acquisition of Orano Med securities from Orano Cycle for 63,800 thousand euros in December 2017.

5.1.2. The “loans to associates” line in the amount of 3,182,842 thousand euros concerns medium-term loans granted to companies of the group, including accrued interest (see Note 5.4.1). The companies concerned at December 31, 2017 were mainly:

- Société Enrichissement Tricastin 1,698,964 thousand euros
- Orano Canada Inc 658,009 thousand euros (989,579 KCAD)
- Orano Mining 500,572 thousand euros
- EURODIF SA 130,021 thousand euros
- Orano Ressources Centrafrique 101,605 thousand euros (121,855 KUSD)
- Orano USA LLC 60,158 thousand euros (72,148 KUSD)
- Orano Med 24,031 thousand euros

The increases over the period mainly concern loans granted during the 2017 financial year to the following companies:

- Orano Mining 500,572 thousand euros
- Société Enrichissement Tricastin 50,852 thousand euros

The decreases over the period concern foreign exchange movements and the repayments made during the 2017 financial year for the following companies:

- CFMM 693,208 thousand euros
- Orano Canada Inc 83,392 thousand euros (120,370 KCAD)
- Société Enrichissement Tricastin 44,585 thousand euros
- EURODIF SA 45,382 thousand euros

5.1.3. "Other long-term investments" includes Orano SA’s equity interest in European Liability Insurance for the Nuclear Industry (Elini), a mutual insurance company, representing 6,741 thousand euros at December 31, 2017, and in the mutual insurance company BlueRE in the amount of 320 thousand euros.

5.2. Write-downs of long-term investments

Write-downs *(in thousands of euros)*	**Note Appendix**	**Aug. 2017**	**Increase**	**Decrease**	**Dec. 2017**
Associates	**5.2.1.**	**1,194,299**		555,497	638,802
Loans to associates	**5.2.2.**	**103,049**		1,444	101,605
Investment portfolio					
Other long-term securities					
Loans					
Other long-term investments:					
- Receivables related to end-of-lifecycle operations					
- End-of-lifecycle assets - Third party share					
- Other long-term investments					
TOTAL LONG-TERM INVESTMENTS		**1,297,348**		**556,941**	**740,408**

5.2.1. In accordance with accounting rules and methods (see section 2.1.), the reversals of write-downs mainly correspond to provisions on the following securities:

- Orano Mining 536,497 thousand euros;
- Orano USA LLC 19,000 thousand euros.

This reversal of the writedown of Orano Mining securities is mainly a result of the rise in the share price of the mining assets, reflecting the optimization of the costs of mining plans and the change in the backlog over the financial year

5.2.2. The change in provisions on loans to associates corresponds to the reversals of provisions on the Orano Ressources Centrafrique loan for 1,444 thousand euros due to currency translation adjustments.

5.3. Statement of receivables

(in thousands of euros)	Note Appendix	Gross amount	Expiration 1 year or less	Expiration more than 1 year
Non-current assets				
Loans to associates	**5.1.2.**	3,182,842	79,660	3,103,183
Loans				
Other long-term investments:				
- Receivables related to end-of-lifecycle				
- End-of-lifecycle assets - Third party share				
- Other long-term investments		7,061		7,061
Total capitalized receivables		**3,189,903**	**79,660**	**3,110,244**
Current assets				
Suppliers: advances and prepayments made		**816**	**816**	
Working capital: receivables				
Doubtful accounts				
Other trade accounts receivable		11,152	11,152	
Accounts payable to employees and related				
Social security administration and other social institutions				
French State and local governments:				
- Income tax	5.3.1.	70,324	40,812	29,512
- Value added tax		13,994	13,994	
- Other taxes and related expenses				
- Miscellaneous French State				
Group and associates				
Trade accounts and other receivables		174,006	174,006	
Total gross receivables – working capital		**269,475**	**239,963**	**29,512**
Prepaid expenses		765	765	
TOTAL GROSS RECEIVABLES		**3,460,959**	**321,204**	**3,139,755**

5.3.1 Income tax assets correspond to income tax installments paid by consolidated subsidiaries to the French Treasury at September 15, 2017 in the amount of 40,415 thousand euros and tax credits for the financial year in the amount of 29,908 thousand euros.

As parent company of the tax consolidation group, Orano SA recognizes as counterparty, liabilities towards its consolidated subsidiaries for their share of payments and their rights to the tax credits (see note 5.9.3).

5.4. Accrued income

(French decree 83-1020 of November 29, 1983, article 23)

(in thousands of euros)	Note Appendix	Dec. 2017	Aug. 2017
Long-term investments			
Loans to associates	**5.4.1.**	25,177	30,199
Other long-term investments			
Total long-term investments		**25,177**	**30,199**
Working capital: receivables			
Trade accounts receivable and related accounts		660	15,726
Accounts payable to employees and related accounts			
Social security administration and other social institutions			
French State and local governments			
Trade accounts and other receivables	**5.4.2.**	173,622	192,277
Total receivables – working capital		**174,281**	**208,003**
Marketable securities			
Cash and cash equivalents			
TOTAL INCOME RECEIVABLE		**199,458**	**238,202**

5.4.1. This item concerns accrued interest on loans to associates, in particular:

- Société Enrichissement Tricastin 18,496 thousand euros;
- Orano Canada Inc. 5,039 thousand euros.

5.4.2. The change in trade accounts and other receivables is essentially due to the revaluation of financial hedging instruments at the closing rate.

5.5. Net cash

(in thousands of euros)	Note Appendix	Dec. 2017	Aug. 2017
Other marketable securities		1,156,584	2,938,619
Write-downs		- 504	- 629
	5.5.1.	**1,156,081**	**2,937,990**
Cash instruments		19,104	21,900
Non-trade current accounts	**5.5.2.**	114,601	188,138
Write-downs	**5.5.3.**	(5,738)	(5,819)
		108,863	**182,318**
Cash and cash equivalents		621,035	353,454
TOTAL CASH AND MARKETABLE SECURITIES	**5.5.4.**	**1,905,082**	**3,495,662**

5.5.1. At December 31, 2017, other marketable securities are principally made up of money market funds and treasury bonds in the amount of 1,156,584 thousand euros.

5.5.2. Non-trade current accounts amounted to 114,601 thousand euros. The companies concerned at December 31, 2017 were mainly:

- Orano Temis 28,500 thousand euros
- EURODIF 15,684 thousand euros
- Orano UK Ltd 14,500 thousand euros
- Orano Cycle 13,533 thousand euros
- Columbiana Hi Tech LLC 9,408 thousand euros
- GIE SI-nerGIE 6,571 thousand euros
- OranoDelfi 6,250 thousand euros
- Orano Ressources Centrafrique 5,738 thousand euros
- Orano Med 4,336 thousand euros

5.5.3. The decrease in the write-down of non-trade current accounts corresponds to the change in the hedging of the non-collectability risk of Orano Ressources Centrafrique in the amount of 82 thousand euros.

5.5.4. The change in cash and cash equivalents is notably due to:

- the repayment of a bond issue of 0.8 billion euros on October 5, 2017;
- the reduction in Orano Cycle's contribution to Orano SA's cash pool due to an increase in end-of-lifecycle assets of 0.8 billion euros provided by Orano Cycle.

5.6. Share structure

(French decree 83-1020 of November 29, 1983, article 24–12)

Category of shares	Par value	Number of shares			
		at the beginning of the year	Increase	Decrease	at year-end
Ordinary shares	0.50 euros	237,737,500			237,737,500

On August 16, 2017, the Ministry for Ecological and Solidarity Transition, the Ministry of the Armed Forces, the Ministry for the Economy and Finance, the Ministry of Public Action and Accounts and the Ministry of Higher Education, Research and Innovation approved the sale by the French State of 12,774,283 Company shares to the Commissariat à l'énergie atomique et aux énergies alternatives (the "CEA"). Following this approval, the French State transferred to the CEA, on September 22, 2017, 5.37% of the share capital of Orano SA.

The share capital of Orano SA at December 31, 2017 was broken down as follows:

	Dec. 2017	Aug. 2017	Dec. 2016
AREVA SA	44.44%	44.44%	99.99%
AREVA Project 2	-%	-%	0.01%
Agence des Participations de l'Etat (APE)	50.18%	55.66%	-%
Commissariat à l'Energie Atomique et aux Energies Alternatives (CEA)	5.37%		
Total	**100.00%**	**100.00%**	**100.00%**

5.7. Equity

(in thousands of euros)	Note Appendix	Aug. 2017	Allocation Net income	Net income for the year	Increase	Decrease	Dec. 2017
Subscribed capital		118,869					118,869
Additional paid-in capital, share premiums		3,065,056					3,065,056
Revaluation adjustment							
Legal reserve		10,886					10,886
Restricted reserves							
Regulated reserves							
Other reserves		4,041					4,041
Retained earnings		98,575					98,575
Non-allocated income	**5.7.1**		- 887,479				(887,479)
Net income for the year		(887,479)	**887,479**	**563,468**			**563,468**
Net investment subsidies							
Tax-driven provisions							
TOTAL SHAREHOLDERS' EQUITY		**2,409,948**	**-**	**563,468**			**2,973,415**

5.7.1. The allocation of the net income for the period ended August 31, 2017 has not been submitted for the approval of the General Meeting of Shareholders of Orano SA. The net income for the period ended August 31, 2017 is presented under "Non-allocated income".

5.8. Provisions for contingencies and losses

(in thousands of euros)	Note Appendix	Aug. 2017	Increase	Decrease	Reclassifications	Dec. 2017
Provisions for contingencies						
Provisions for litigation						
Provisions for customer guarantees						
Provisions for taxes						
Provisions for foreign exchange losses						
Other provisions for contingencies	**5.8.1.**	**9,911**	9,646	5,943		13,614
Total provisions for contingencies		**9,911**	**9,646**	**5,943**		**13,614**
Provisions for losses						
Provisions for retirement and similar benefits		**80**	35	80		35
Provisions for taxes						
Provisions for work completion						
Provisions for accrued expenses						
Provisions for mining site reclamation						
End-of-lifecycle provisions						
Provisions for decontamination of tooling						
Other provisions for charges						
Total provisions for charges		**80**	**35**	**80**		**35**
TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES		**9,991**	**9,681**	**6,023**		**13,649**
Including charges and reversals						
- Operating			35	80		
- Financial			9,646	5,943		
- Exceptional						

5.8.1. Other provisions for contingencies mainly comprise:

- underlying losses on rate swaps in the amount of 4,807 thousand euros;
- the share of the deficit of GIE SI-nerGIE in the amount of 4,839 thousand euros;
- a provision for the negative net situation of Orano Support in the amount of 3,968 thousand euros (see section 2.1.).

5.9. Statement of liabilities

(in thousands of euros)	Note Appendix	Gross amount	Expiration 1 year or less	Expiration 1 to 5 years	Expiration more than 5 years
Borrowings					
Convertible bond issues					
Other bond issues	**5.9.1.**	4,072,224	122,224	2,200,000	1,750,000
Bank borrowings					
Miscellaneous loans and borrowings	**5.9.2.**	2,752,988	2,752,988		
Total borrowings		**6,825,212**	**2,875,212**	**2,200,000**	**1,750,000**
Advances and prepayments on orders					
Other liabilities					
Trade accounts payable and related accounts		64,154	64,154		
Taxes and employee-related liabilities:					
- Accounts payable to employees and related		128	128		
- Social security administration and other social		81	81		
- French State and local governments:					
. Value added tax		1,178	1,178		
. Other taxes		59	59		
. Income tax					
Accounts payable on non-current assets and related					
Group and associates	5.9.3.	33,694	12,366	21,328	
Other liabilities		157,663	157,663		
Cash instruments		4,315	4,315		
Total other liabilities		**261,271**	**239,943**	**21,328**	
Unearned income	**5.9.4.**	87,958	22,616	56,018	9,324
Total unearned income		**87,958**	**22,616**	**56,018**	**9,324**
TOTAL GROSS LIABILITIES		**7,174,441**	**3,137,771**	**2,277,345**	**1,759,324**

5.9.1. Bond issues

Bond debt comprises the nominal amount of bonds for 4,009,225 thousand euros and accrued interest not yet due for 62,969 thousand euros (see note 5.10.1). These bonds were backed by a total amount of 911 million euros of interest rate swaps.

(in currency thousands)

Issue date	Nominal	Currency	Nominal rate	Term/Expirati
September 23, 2009	1,000,000	EUR	4.875%	2024
November 6, 2009	750,000	EUR	4.375%	2019
September 22, 2010	750,000	EUR	3.500%	2021
April 4, 2012	200,000	EUR	TEC 10 + 2.125%	2022
September 4, 2013	500,000	EUR	3.250%	2020
September 20, 2013	8,000,000	JPY	1.156%	2018
March 20, 2014	750,000	EUR	3.125%	2023
Total	**4,009,255**	(*) EUR		

(*) exchange rate used: 1 EUR = 135.01 JPY

The repayment of bond issues for a nominal amount of 800 million euros was made as expected on October 5, 2017.

5.9.2. Miscellaneous loans and borrowings

Miscellaneous loans and borrowings came to 2,752,988 thousand euros at December 31, 2017, mainly including:

- Debt related to associates in the amount of 452 thousand euros;
- Non-trade current account liabilities in the amount of 2,752,536 thousand euros. The companies concerned at December 31, 2017 were mainly:
  - Orano Cycle 1,537,613 thousand euros
  - TN International 230,206 thousand euros
  - Orano Mining 188,750 thousand euros
  - Société Enrichissement Tricastin 173,246 thousand euros
  - Sofidif 137,408 thousand euros
  - Orano Assurance et Réassurance 76,914 thousand euros
  - TN America 60,709 thousand euros
  - Orano USA LLC 58,756 thousand euros
  - Orano Support 52,745 thousand euros
  - ETC 52,589 thousand euros
  - Orano DS 32,842 thousand euros
  - Orano Federal Services 27,923 thousand euros
  - Orano Projets 26,895 thousand euros

5.9.3. Group and associates

This item comprises Orano's liabilities towards the consolidated French subsidiaries, following calculation of the tax consolidation, in the amount of 12,366 thousand euros and tax credit liabilities towards these same subsidiaries, that cannot be charged against this liquidation for 21,328 thousand euros.

5.9.4 Unearned income

	At Dec. 31, 2017	At Aug. 31, 2017
Unearned financial income	87,958	95,521
Total	**87,958**	**95,521**

AREVA SA had unwound rate swaps that had been set up to cover bond issues (fixed rate receiver / variable rate payer). In line with market conditions, the swap terminations generated a gain recognized as unearned income, which will be spread out over the remaining period of the borrowings to reflect their effective interest rate over their term. These were transferred to Orano SA as part of the partial asset contribution.

5.10. Accrued expenses

(in thousands of euros)	Note Appendix	Dec. 2017	Aug. 2017
Borrowings			
Convertible bond issues			
Other bond issues	**5.10.1.**	62,969	146,098
Bank borrowings			
Miscellaneous loans and borrowings			
Total borrowings		**62,969**	**146,098**
Other liabilities			
Trade accounts payable and related accounts	**5.10.2.**	39,902	25,880
Taxes and employee-related liabilities		219	148
Accounts payable on non-current assets and related accounts			
Other liabilities	**5.10.3.**	154,458	176,319
Total other liabilities		**194,579**	**202,347**
TOTAL ACCRUED EXPENSES		**257,548**	**348,445**

5.10.1. This item includes the accrued interest not yet due on bond issues.

5.10.2. The change in trade accounts payable mainly concerns the charge-back by Orano Support of central division costs.

5.10.3. The change in other liabilities is mainly due to the revaluation of financial instruments at the closing rate.

6. NOTES TO THE INCOME STATEMENT

6.1. Current operating income

Revenue notably includes:

- the charge-backs to subsidiaries of Corporate services performed, for a total of 8,372 thousand euros;
- the revenue from real estate operations in the amount of 2,160 thousand euros.

Operating expenses are comprised of purchases from Orano Support of central division costs, leases and expenses related to the Saint-Quentin site in Yvelines, as well as other direct purchases relating to its corporate purpose. The operating loss came to 47,298 thousand euros.

6.2. Net financial income

Net financial income in the amount of 542,127 thousand euros mainly includes:

- net income on current accounts and loans to associates .... 40,755 thousand euros
- net income on financial instruments .... 5,750 thousand euros
- financial expenses on loans .... (55,211) thousand euros
- foreign exchange gain (loss) .... (905) thousand euros
- reversals of provisions for investments in associates .... 555,497 thousand euros (1)
- a reversal of provisions for a negative net situation .... 1,348 thousand euros (2)
- reversals of provisions for loans to associates .... 1,444 thousand euros (3)
- reversals of provisions for current accounts .... 82 thousand euros (3)
- net charges to provisions for other financial risks .... (5,051) thousand euros
- amortization of redemption premiums
  related to bond issues .... (860) thousand euros

(1) *essentially Orano Mining and Orano USA LLC (see Note 5.2.1.)*

(2) *Orano Support*

(3) *Orano Ressources Centrafrique*

6.3. Income tax

In accordance with the provisions of Article 223A of the French General Tax Code, Orano SA appointed itself the sole body responsible for the income tax due on the comprehensive income of the consolidated group in France, with effect from September 1, 2017.

With regard to the 2017 financial period of four months, Orano SA and its consolidated subsidiaries generated a comprehensive loss of 23,156 thousand euros.

The tax income recognized for this 2017 financial period came to 68,641 thousand euros and corresponds to:

- the tax savings made as a result of the tax consolidation regime .... 69,342 thousand euros;
- the loss of foreign tax credits .... (701) thousand euros.

7. ADDITIONAL INFORMATION

7.1. Workforce

With regard to the financial period ended December 31, 2017, the average workforce of the Company was four people, as indicated in the following table:

	Dec. 2017	Aug. 2017
Management personnel	2	1
Supervisors	2	-
Employees	-	-
TOTAL	**4**	**1**

7.2. Company exposure to market risk

• General objectives

Orano SA uses financial derivatives to manage its exposure to foreign exchange risk and interest rate risk. These instruments are generally qualified as hedges of assets, liabilities or specific commitments.

Orano SA manages all risks associated with these instruments by centralizing the commitments and implementing procedures that specify the limits and characteristics of the counterparties.

• Foreign exchange risk management

The volatility of exchange rates may impact Orano SA's currency translation adjustments, its equity and its income.

Balance sheet risk: Loans and borrowings granted by Orano SA to its subsidiaries are systematically converted into euros through currency swaps.

To limit the currency risk on long-term investments generating future cash flows in foreign currencies, whenever possible Orano SA uses a liability in the same currency to offset the asset.

Trade exposure: The Orano SA policy approved by the Executive Committee seeks to systematically hedge the certain foreign exchange risks generated by its operations, and those of its subsidiaries, to minimize the impact of exchange rate fluctuations on net income.

Orano SA uses financial derivatives (principally forward exchange contracts) to hedge its foreign exchange exposure from trade, including accounts receivable and payable and confirmed off-balance sheet commitments. These hedges are backed by underlying transactions for identical amounts and maturities and, as a general rule, are documented and eligible for hedge accounting.

The Financial Operations and Treasury Management Department covers these exposures directly with its banking counterparties. A system of strict limits, particularly concerning results, marked to market, and foreign exchange positions that may be taken by the Orano SA trading desk, is monitored daily by specialized teams that are also responsible for valuing the transactions. In addition, analyses of sensitivity to changes in exchange rates are periodically performed.

At December 31, 2017, the financial derivatives used by Orano SA to hedge foreign exchange risk were as follows:

(Notional amounts by maturity date at December 31, 2017)	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total	Market value
Forward exchange transactions and currency swaps	2,291	1,108	545	317			**4,261**	**2**
Cross-currency swaps	61	380					**440**	**19**
TOTAL	**2,352**	**1,488**	**545**	**317**	**0**	**0**	**4,701**	**21**

• **Interest rate risk management**

Orano SA is exposed to interest rate fluctuations on its floating rate borrowings and on its financial investments. The Financial Operations and Treasury Management Department manages all interest rate risks.

Orano SA uses several types of derivative instruments, as required by market conditions, to allocate its borrowings between fixed rates and floating rates and to manage its investment portfolio, with the goal being mainly to reduce its borrowing costs while optimizing the management of its cash surpluses.

At December 31, 2017, interest rate swaps were the main financial instruments used in the management of external debt. Receiver inflation rate swaps in USD were set up with banks to cover payer inflation rate swaps in USD set up with Orano Mining.

The amount of the commitments and the sensitivity of the positions taken by the Orano SA trading desk in connection with rate management are subject to limits based on the type of transaction involved.

At December 31, 2017, the following financial instruments were used to hedge interest rate exposure:

Interest rate instruments		Notional amounts by maturity date at December 31, 2017						
(in millions of euros)	TOTAL	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Market value
Interest rate swaps – EUR variable lender								
EUR fixed borrower	**200**					200		**(4)**
Interest rate swaps – EUR variable lender								
EUR variable borrower	**100**					100		**(1)**
CAD variable borrower	**380**		380					**21**
Interest rate swaps – EUR fixed lender								
EUR variable borrower	**550**		50	150	150		200	**42**
Interest rate swaps – fixed lender – JPY								
EUR variable borrower	**61**	61						(1)
Inflation rate swaps								
Variable lender - USD fixed borrower	**146**			146				**(31)**
Variable borrower - USD fixed lender	**146**			146				**31**
GRAND TOTAL	**1,582**	**61**	**430**	**442**	**150**	**300**	**200**	**55**

• **Commodity risk**

At December 31, 2017, Orano SA had no commodity risk exposure.

• **Equity risk**

To manage its long-term investment portfolio, Orano SA may elect to use puts and calls backed by portfolio equities. No such operation was in place at December 31, 2017.

• **Counterparty risk**
Orano SA is exposed to counterparty risk linked to its use of financial derivatives to hedge its risks. Orano SA uses different types of financial derivatives to manage its exposure to foreign exchange and interest rate risks. Orano SA primarily uses forward buy/sell currency contracts and rate derivative products, such as swaps, futures and options, to cover these types of risk. These transactions expose Orano SA to counterparty risk when the contracts are concluded over the counter.

To minimize this risk, Orano SA's trading desk deals only with diversified, top-quality counterparties based on their ratings in the Standard & Poor's and Moody's rating systems, with a minimum rating of Investment Grade. A legal framework agreement is always signed with the counterparties.

The limits allowed for each counterparty are determined based on its rating and the type and maturity of the instruments traded. Assuming the rating of the counterparty is not downgraded earlier, the limits are reviewed at least once a year and approved by the Chief Financial Officer. The limits are verified in a specific report produced by the internal control team of Treasury Operations. During periods of significant financial instability that may involve an increased risk of bank default, which may be underestimated by ratings agencies, Orano SA monitors advanced indicators such as the value of the credit default swaps (CDS) of eligible counterparties to determine whether limits should be adjusted.

When conditions warrant (rising counterparty risk, longer or shorter-term transactions, etc.), market transactions are managed by monthly margin calls that restrict Orano SA's counterparty risk to a predetermined threshold: the Credit Support Annex for trades documented under an ISDA master agreement, or the Collateral Annex for trades documented under a French Banking Federation (FBF) master agreement.

• **Market value of financial instruments**
The market value of financial instruments pertaining to currency and rates is calculated based on market data at the closing date, using discounted future cash flows, or on prices provided by financial institutions. The use of different market assumptions could have a significant impact on estimated market values.

• **Liquidity risk**
The Financial Operations and Treasury Management Department "DOFT" is in charge of liquidity risk management and provides appropriate long-term and short-term financing resources.

Cash management optimization is based on a centralized system to provide liquidity and manage cash surpluses. Management is provided by the DOFT, chiefly through cash-pooling agreements and intragroup loans, subject to local regulations. Cash surpluses are managed to optimize financial returns while ensuring that the financial instruments used are liquid.

7.3. Related parties

The company did not enter into significant transactions with related parties not entered into under normal market conditions, following the criteria noted below.

A transaction is deemed significant if a lack of disclosure or an erroneous disclosure may have an influence on economic decisions by third parties who rely on the financial statements. Whether a transaction is significant or not depends on the nature and/or the amount of the transaction.

Conditions may be considered "normal" when they are customarily employed by the company in its dealings with third parties, such that the beneficiary of the transaction does not receive a more favorable treatment than other third parties dealing with the company, taking into account the practices of other companies in the same sector.

7.4. Off-balance-sheet commitments

(in thousands of euros)	Note -	Total	< 1 year	1 to 5 years	> 5 years
Commitments given					
Bid guarantees					
Performance warranties		138,634	56,355	82,279	
Down payment guarantees		208,508	208,508		
Guarantees for waivers of warranty retentions					
After-sales warranties					
Other operating commitments		10,000	10,000		
Total operating commitments given		**357,142**	**274,863**	**82,279**	
Comfort letters given					
Guarantees and surety					
Liens given					
Mortgages given					
Other funding guarantees		114,285	100,183	12,851	1,251
Total commitments and collateral given on financing		**114,285**	**100,183**	**12,851**	**1,251**
Guarantees of assets and liabilities					
Guarantees pertaining to rental obligations given		17		17	
Other commitments given		917	917		
Total other commitments given		**934**	**917**	**17**	
I. Total commitments given	**7.4.1.**	**472,361**	**375,964**	**95,147**	**1,251**
Commitments received					
Market guarantees received					
Vendor warranties received					
Other commitments received					
II. Total commitments received					
Reciprocal commitments					
Firm multiyear purchase commitments					
Firm multiyear sales commitments					
Unused lines of credit					
Future minimum payments on operating leases		**917**	917		
Other reciprocal commitments					
III. Total reciprocal commitments		**917**	**917**		

7.4.1. In letters dated March 22, 2017 and July 26, 2017, Orano SA committed to fully compensate AREVA SA for all sums paid and costs borne by the latter in relation to guarantees related to the Activity (as this term is defined in the Contribution Agreement and inclusive of any activity of Orano SA or its subsidiaries following the Contribution) that it may have granted, including after the Contribution, and from which it has not been discharged.
These commitments mainly concern the Parent Company Guarantees in favor of clients of contributed activities and counter-guarantees in favor of the bank.

As security, Areva SA has pledged, in favor of the Company, to redeem all bonds contributed to the Company and to provide a guarantee in favor of the banking counterparties of the derivative financial instruments transferred to the Company in 2016. At December 31, 2017, the carrying amount of bonds on Orano SA's balance sheet was 4,009 million euros.

From a contractual perspective, these guarantees will end when the 500 million euro capital increase reserved for JNFL and MHI has been carried out or, for the guarantee concerning the bond issues, once they have been redeemed. Insofar as JNFL and MHI subscribed to the capital increases reserved for them on February 26, 2018, the guarantees issued by AREVA SA to Orano SA have been canceled.

7.5. Compensation of officers and directors

Until November 3, 2016, the company was a simplified joint stock company (*société par actions simplifiée*). With effect from its transformation into a French incorporated company (*société anonyme*) with a Board of Directors, the Board of Directors of the Company chose to separate the functions of Chairman and Chief Executive Officer.

The compensation paid to the Chairman of the Board and the Chief Executive Officer of the Group for the period between September 1, 2017 and December 31, 2017, amounted to 0.18 million euros.

7.6. Disputes and potential liabilities

Through the normal course of its business, Orano is involved in a number of regulatory, judicial and arbitration proceedings. The Group is also the subject of certain claims, lawsuits or regulatory proceedings which go beyond the ordinary course of business. The most significant of these are summarized below.

GADOULLET

On October 6, 2016, Mr. Jean-Marc Gadoullet summoned AREVA SA and Orano Cycle SA before the Tribunal de Grande Instance of Nanterre, in order to obtain payment of compensation he claims is due in respect of services supposedly rendered to the Orano group in Niger between September 2010 and October 2013. AREVA SA and Orano Cycle SA consider the claims of Mr. Gadoullet to be unfounded and have challenged, in limine, the jurisdiction of the Tribunal de Grande Instance in this matter. The Tribunal did not follow this position and declared itself competent on February 6, 2018. AREVA SA and Orano Cycle SA have appealed this decision.

INVESTIGATIONS

The company is aware of a preliminary investigation opened by the French National Financial Prosecutor’s Office in late July 2015 concerning a uranium trading transaction made in 2011.

This investigation is being carried out in connection with legal proceedings against parties unknown and no Orano group entity has been implicated at this point.

CONTINGENT LIABILITIES

In Canada, Orano is faced with uncertainty as to the method of calculating mining royalties, since the legislation of the Province of Saskatchewan refers to "market prices," although the government provides no instructions or guidance on how to set or to demonstrate a market price.

7.7. Subsidiaries and associates

(Article L.233-15 of the French Commercial Code)

		Percentage of share capital held (%)	Share capital	Equity other than share capital	Carrying amount of shares held		Loans and advances granted and not repaid	Amounts of guarantees given	Revenue before tax of last financial year	Net income of last financial year	Dividends received
					Gross	Net					
	A - Detailed information on subsidiaries and associates (net carrying amount exceeds 1% of the company's equity)										
	1 - Subsidiaries (more than 50% of equity held)										
	Orano Cycle (formerly AREVA NC) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	99,229	48,244	2,518,292	2,518,292			928,116	(105,186)	
	Orano Mining (formerly AREVA MINES) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	25,207	298,346	2,356,194	1,841,691	500,572		520,600	28,425	
(1)	**Orano USA LLC (formerly AREVA NUCLEAR MATERIAL)** 1155 F Street, DC 20004 Washington – United States	100.00	232,731	(145,191)	358,391	358,391	60,158		19,268	(39,284)	
	Orano Support (formerly AREVA BUSINESS SUPPORT) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	490	(5,807)	122,069	-			58,587	1,349	
	Orano Projets (formerly AREVA PROJETS) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	12,769	49,318	63,844	63,844			77,368	4,346	
	Orano Med (formerly AREVA MED) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	17,055	(13,484)	63,800	63,800	24,031		132	(2,993)	
	Orano Assurance & Réassurance (formerly AREVA INSURANCE & REINSURANCE) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	6,375	94,543	30,940	30,940			-	586	
	OranoDelfi (formerly AREVADELFI) Tour AREVA -92084 Paris La Défense Cedex – France	100.00	456	(125)	2,534	330			-	25	
	2 - Associates (10% to 50% of equity held)										
	GIE SI-nerGIE Tour AREVA -92084 Paris La Défense Cedex – France	100.00							199,662	(9,678)	
	B - Summary information on other subsidiaries and associates										
	1 - Subsidiaries not included in section A 1										
	French subsidiaries				30	4					
	Foreign subsidiaries				3,323	3,323					
	2 - Associates not included in section A 2										
	French companies				-	-					
	Foreign companies				-	-					

(1) – 1 EUR = 1.1993 USD

7.3 Specific Consolidated Financial Statements for the 12 months ended December 31, 2017

SPECIFIC CONSOLIDATED FINANCIAL STATEMENTS

Orano

(formerly NEW AREVA or NewCo)

December 31, 2017

(12 months)

CONSOLIDATED STATEMENT OF INCOME

(in millions of euros)	*Note*	2017(**)	2016(*)
REVENUE	(Note 3)	**3,926**	**4,401**
Other income from operations		5	3
Cost of sales		(3,170)	(3,434)
GROSS MARGIN		**761**	**971**
Research and development expenses		(87)	(90)
Marketing and sales expenses	(Note 5)	(52)	(37)
General expenses	(Note 5)	(103)	(59)
Other operating income	(Note 5)	81	22
Other operating expenses	(Note 5)	(634)	(393)
OPERATING INCOME		**(34)**	**415**
Share in net income of joint ventures and associates	(Note 13)	(4)	10
Operating income after share in net income of joint ventures and associates		**(38)**	**425**
Gross borrowing costs		(221)	(228)
Income from cash and cash equivalents		16	9
Net borrowing costs		**(205)**	**(219)**
Other financial expenses		(486)	(635)
Other financial income		427	342
Other financial income and expenses		**(59)**	**(293)**
NET FINANCIAL INCOME	(Note 7)	**(264)**	**(512)**
Income tax	(Note 8)	(56)	(332)
NET INCOME FROM CONTINUING OPERATIONS		**(358)**	**(419)**
Net income from operations sold or held for sale		(2)	70
NET INCOME FOR THE PERIOD		**(360)**	**(349)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		**(252)**	**(239)**
NET INCOME ATTRIBUTABLE TO MINORITY INTERESTS	(Note 20)	**(108)**	**(110)**

(*) Pursuant to IAS 8, the financial statements for fiscal year 2016 were corrected for the error in provisions for employee benefits as compared to the data reported the previous year (see Notes 1.3 and 34).

(**) The 2017 financial statements combine the eight-month period ended August 31, 2017 and the four-month period ended December 31, 2017.

Comprehensive income

(in millions of euros)	*Note*	2017(**)	2016(*)
Net income		**(360)**	**(349)**
Items not recyclable to the statement of income		**(8)**	**(64)**
Actuarial gains and losses on the employee benefits of consolidated companies		(7)	(53)
Income tax related to non-recyclable items		(1)	(1)
Share in non-recyclable items from joint ventures and associates, net of tax		1	(10)
Items recyclable to the statement of income		**(34)**	**70**
Currency translation adjustments of consolidated companies		(197)	145
Change in value of available-for-sale financial assets		(26)	(162)
Change in value of cash flow hedges		264	48
Income tax related to recyclable items		(76)	39
Share in recyclable items from joint ventures and associates, net of tax		-	-
Total other items of comprehensive income (net of income tax)	(Note 8)	**(42)**	**5**
COMPREHENSIVE INCOME		**(401)**	**(344)**
- Attributable to owners of the parent		(281)	(283)
- Attributable to minority interests		(121)	(61)

(*) Pursuant to IAS 8, the financial statements for fiscal year 2016 were corrected for the error in provisions for employee benefits as compared to the data reported the previous year (see Notes 1.3 and 34).

(**) The 2017 financial statements combine the eight-month period ended August 31, 2017 and the four-month period ended December 31, 2017.

Consolidated statement of financial position

ASSETS	*Note*	**December 31, 2017**	**December 31, 2016**
(in millions of euros)			
NON-CURRENT ASSETS		**17,118**	**17,004**
Goodwill on consolidated companies	(Note 9)	1,193	1,303
Intangible assets	(Note 10)	1,339	1,601
Property, plant and equipment	(Note 11)	7,097	7,554
End-of-lifecycle assets (third party share)	(Note 12)	153	127
Financial assets earmarked for end-of-lifecycle operations	(Note 12)	7,112	6,089
Investments in joint ventures and associates	(Note 13)	10	17
Other non-current assets	(Note 14)	114	135
Deferred tax assets	(Note 8)	101	178
CURRENT ASSETS		**5,095**	**4,410**
Inventories and in-process	(Note 15)	1,316	1,261
Trade accounts receivable and related accounts	(Note 16)	816	841
Other operating receivables	(Note 17)	791	661
Other non-operating receivables		57	62
Current tax assets	(Note 8)	98	127
Other current financial assets	(Note 14)	67	2
Cash and cash equivalents	(Note 18)	1,950	1,434
Assets of operations held for sale		-	23
TOTAL ASSETS		**22,212**	**21,414**

LIABILITIES AND EQUITY	*Note*	December 31, 2017	December 31, 2016(*)
(in millions of euros)			
Capital		119	53
Consolidated premiums and reserves		963	(1,120)
Actuarial gains and losses on employee benefits		(164)	(157)
Unrealized gains (losses) on financial instruments		305	136
Currency translation reserves		(79)	113
Equity attributable to owners of the parent		**1,144**	**(976)**
Minority interests	(Note 20)	(192)	(40)
EQUITY & MINORITY INTERESTS	(Note 19)	**952**	**(1,016)**
NON-CURRENT LIABILITIES		**13,963**	**14,024**
Employee benefits	(Note 21)	1,382	1,402
Provisions for end-of-lifecycle operations	(Note 12)	7,545	7,341
Non-current provisions	(Note 22)	270	254
Share in negative net equity of joint ventures and associates	(Note 13)	57	63
Long-term borrowings	(Note 23)	4,676	4,851
Deferred tax liabilities	(Note 8)	33	113
CURRENT LIABILITIES		**7,298**	**8,407**
Current provisions	(Note 22)	1,730	1,733
Short-term borrowings	(Note 23)	429	1,022
Advances and prepayments	(Note 24)	2,865	2,894
Trade accounts payable and related accounts		569	619
Other operating liabilities	(Note 25)	1,612	1,839
Other non-operating liabilities		66	72
Current tax liabilities	(Note 8)	27	213
Liabilities of operations held for sale		-	15
LIABILITIES AND EQUITY		**22,212**	**21,414**

(*) Pursuant to IAS 8, the financial statements for fiscal year 2016 were corrected for the error in provisions for employee benefits as compared to the data reported the previous year (see Notes 1.3 and 34).

Consolidated statement of cash flows

(in millions of euros)	2017(**)	2016(*)
Net income for the period	**(360)**	**(349)**
Less: income from operations sold, discontinued or held for sale	2	(70)
Net income from continuing operations	**(358)**	**(419)**
(Profit) / loss of joint ventures and associates	4	(10)
Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months	1,078	908
Net increase in (reversal of) provisions	(239)	(226)
Net effect of unwinding of assets and provisions	334	501
Income tax expense (current and deferred)	56	332
Net interest included in borrowing costs	206	226
Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value	(277)	(90)
Other non-cash items	14	(8)
Cash flow from operations before interest and taxes	**818**	**1,214**
Net interest received (paid)	(210)	(134)
Income tax paid	(309)	(174)
Cash flow from operations after interest and tax	**299**	**907**
Change in working capital requirement	13	(139)
NET CASH FROM OPERATING ACTIVITIES	**312**	**767**
Investment in PP&E and intangible assets	(490)	(542)
Loans granted and acquisitions of non-current financial assets	(3,330)	(1,119)
Acquisitions of shares of consolidated companies, net of acquired cash	(62)	-
Disposals of PP&E and intangible assets	55	16
Loan repayments and disposals of non-current financial assets	2,518	1,131
Disposals of shares of consolidated companies, net of disposed cash	4	-
NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,305)**	**(514)**
Share issues in the parent company and share issues subscribed by minority shareholders in consolidated subsidiaries (see Note 19)	2,500	-
Transactions with minority interests	(110)	(132)
Dividends paid to minority shareholders of consolidated companies	(23)	(110)
Increase in borrowings (see Note 23)	7	31
Reduction in borrowings (see Note 23)	(866)	(393)
Change in other borrowings (see Note 23)	(4)	81
Cash flow related to contributions	-	(1,019)
NET CASH FLOW FROM FINANCING ACTIVITIES	**1,506**	**(1,542)**
(Increase) decrease in securities recognized at fair value through profit and loss	-	-
Impact of foreign exchange movements	(21)	86
Net cash generated by operations sold, discontinued or held for sale	2	61
CHANGE IN NET CASH	**494**	**(1,141)**
Net cash at the beginning of the period	**1,382**	**2,523**
Net cash at the end of the period (see Note 18)	1,950	1,434
Less: short-term bank facilities and current accounts in credit (see Note 23)	(73)	(53)
Net cash from operations held for sale	-	1
Net cash at the end of the period	**1,877**	**1,382**

(*) Pursuant to IAS 8, the financial statements for fiscal year 2016 were corrected for the error in provisions for employee benefits as compared to the data reported the previous year (see Notes 1.3 and 34).

(**) The 2017 financial statements combine the eight-month period ended August 31, 2017 and the four-month period ended December 31, 2017.

Cash flow related to the Contribution, on November 10, 2016, of (1,019) million euros includes:

- the cash contribution to Orano SA via a current account with AREVA SA with a debit balance of 1,020 million euros;
- the contribution to Orano SA of the current accounts of the subsidiaries of the nuclear cycle in a net amount of (2,039) million euros.

Consolidated statement of changes in equity

(in millions of euros)	**Number of shares outstanding**	**Capital**	**Consolidated premiums and reserves**	**Actuarial losses on employee benefits**	**Deferred unrealized gains and losses on financial instruments**	**Currency translation reserves**	**Total equity attributable to owners of the parent**	**Minority interests**	**Total equity and minority interests**
JANUARY 1, 2016	**16,500,000**	**247**	**1,335**	**(93)**	**211**	**16**	**1,716**	**237**	**1,953**
Net income for the year			(239)				(239)	(110)	(349)
Other items of comprehensive income (see Note 8)				(65)	(75)	96	(44)	49	5
Comprehensive income			**(239)**	**(65)**	**(75)**	**96**	**(283)**	**(61)**	**(344)**
Dividends paid								(110)	(110)
Other transactions with shareholders (see Note 19)	89,161,110	(195)	(121)				(316)	(105)	(421)
Transactions with companies under joint control (see Note 19)			(2,095)	0	(0)	1	(2,094)		(2,094)
DECEMBER 31, 2016 (*)	**105,661,110**	**53**	**(1,120)**	**(157)**	**136**	**113**	**(976)**	**(40)**	**(1,016)**
Income for the period			(252)				(252)	(108)	(360)
Other items of comprehensive income (see Note 8)				(7)	169	(191)	(29)	(13)	(42)
Comprehensive income			**(252)**	**(7)**	**169**	**(191)**	**(281)**	**(121)**	**(401)**
Dividends paid								(32)	(32)
Other transactions with shareholders (see Note 19)	132,076,390	66	2,420			(0)	2,486	0	2,486
Transactions with companies under joint control (see Note 19)			(85)	(0)	0	0	(85)	-	(85)
DECEMBER 31, 2017	**237,737,500**	**119**	**963**	**(164)**	**305**	**(79)**	**1,144**	**(192)**	**952**

(*) Pursuant to IAS 8, the financial statements for fiscal year 2016 were corrected for the error in provisions for employee benefits as compared to the data reported the previous year (see Notes 1.3 and 34).

Operating segments

BY BUSINESS SEGMENT

2017

Income

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate, other operations and eliminations**	**Total**
Gross revenue	**1,300**	**918**	**1,726**	**(18)**	**3,926**
Inter-segment sales	(6)	(25)	(42)	73	-
Contribution to consolidated revenue	1,294	893	1,684	55	**3,926**
Operating income	111	12	77	(234)	**(34)**
EBITDA (see Note 6)	**643**	**281**	**245**	**(223)**	**946**
% of gross revenue	*49.5%*	*30.6%*	*14.2%*	*n/a*	*24.1%*

The group derived approximately 34% of its total revenue from its main customer, EDF, at December 31, 2017 (compared with 31% at December 31, 2016).

Balance sheet

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate, other operations and eliminations**	**Total**
PP&E and intangible assets (including goodwill)	2,845	4,191	2,530	62	**9,628**
Assets earmarked for end-of-lifecycle operations	-	1,798	5,196	271	**7,265**
Other non-current assets	-	-	-	225	**225**
Subtotal: Non-current assets	**2,845**	**5,989**	**7,726**	**558**	**17,118**
Inventories and receivables (excluding tax receivables)	508	1,068	921	483	**2,979**
Other current assets	-	-	-	2,116	**2,116**
Subtotal: Current assets	**508**	**1,068**	**921**	**2,598**	**5,095**
TOTAL ASSETS	**3,352**	**7,057**	**8,647**	**3,156**	**22,212**

2016

Income

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate, other operations and eliminations**	**Total**
Gross revenue	**1,458**	**1,057**	**1,771**	**116**	**4,401**
Inter-segment sales	(6)	(19)	(43)	68	-
Contribution to consolidated revenue	1,451	1,037	1,728	184	**4,401**
Operating income	183	158	67	7	**415**
EBITDA (see Note 6)	**747**	**354**	**300**	**(64)**	**1,338**
% of gross revenue	*51.3%*	*33.5%*	*17.0%*	*n/a*	*30.4%*

Balance sheet

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate, other operations and eliminations**	**Total**
PP&E and intangible assets (including goodwill)	3,507	4,414	2,490	48	**10,458**
Assets earmarked for end-of-lifecycle operations	2	1,536	4,679	0	**6,216**
Other non-current assets	-	-	-	330	**330**
Subtotal: Non-current assets	**3,509**	**5,949**	**7,168**	**378**	**17,004**
Inventories and receivables (excluding tax receivables)	531	1,036	1,054	202	**2,824**
Other current assets	-	-	-	1,562	**1,562**
Subtotal: Current assets	**531**	**1,036**	**1,054**	**1,765**	**4,386**
Assets of operations held for sale	-	-	-	23	**23**
TOTAL ASSETS	**4,040**	**6,986**	**8,223**	**2,166**	**21,414**

BY REGION

2017

Contribution to consolidated revenue by business segment and customer location

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	324	315	1,104	40	**1,783**
Europe (excluding France)	82	143	202	13	**440**
North & South America	186	215	265	1	**667**
Asia-Pacific	652	190	108	1	**951**
Africa and Middle East	49	30	5	-	**84**
TOTAL	**1,294**	**893**	**1,684**	**55**	**3,926**

Closing balances of net property, plant and equipment and intangible assets (excluding goodwill) at December 31, 2017 by business segment and region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	76	4,022	2,262	38	**6,397**
Europe (excluding France)	141	-	2	0	**143**
North & South America	1,433	6	43	6	**1,488**
Asia-Pacific	4	-	0	0	**4**
Africa and Middle East	403	-	-	-	**403**
TOTAL	**2,057**	**4,027**	**2,306**	**44**	**8,435**

Acquisitions of property, plant and equipment and intangible assets (excluding goodwill) at December 31, 2017 by business segment and region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	1	145	212	2	**359**
Europe (excluding France)	30	-	2	0	**32**
North & South America	44	-	11	1	**56**
Asia-Pacific	4	-	-	0	**4**
Africa and Middle East	33	-	-	-	**33**
TOTAL	**111**	**145**	**225**	**3**	**484**

2016

Contribution to consolidated revenue by business segment and customer location

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	364	316	1,178	183	**2,041**
Europe (excluding France)	127	272	230	2	**631**
North & South America	256	306	229	0	**791**
Asia-Pacific	690	123	88	0	**900**
Africa and Middle East	15	20	4	0	**39**
TOTAL	**1,451**	**1,037**	**1,728**	**184**	**4,401**

Closing balances of net property, plant and equipment and intangible assets (excluding goodwill) at December 31, 2016 by business segment and region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	91	4,246	2,210	24	**6,572**
Europe (excluding France)	175	-	0	0	**175**
North & South America	1,605	7	51	6	**1,669**
Asia-Pacific	2	-	0	0	**3**
Africa and Middle East	738	-	-	-	**738**
TOTAL	**2,611**	**4,253**	**2,261**	**31**	**9,155**

Acquisitions of property, plant and equipment and intangible assets (excluding goodwill) in 2016 by business segment and region of origin of the units

(in millions of euros)	**Mining**	**Front End**	**Back End**	**Corporate and other operations**	**Total**
France	1	197	199	2	**399**
Europe (excluding France)	34	-	-	0	**34**
North & South America	63	0	10	2	**75**
Asia-Pacific	0	-	0	0	**0**
Africa and Middle East	36	-	-	-	**36**
TOTAL	**135**	**197**	**209**	**4**	**544**

Notes to the specific consolidated financial statements at December 31, 2017

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

BASIS OF PREPARATION

As explained in Note 1.1, in establishing the tax consolidation of Orano, the Company was required to prepare consolidated financial statements for an initial eight-month period ended August 31, 2017, followed by a second period of four months ended December 31, 2017. In order to facilitate comparison, the Company has chosen to prepare these specific consolidated financial statements presenting financial information for the 12-month period ended December 31, 2017, and which represents the combination of the eight- and four-month periods of 2017.

In view of the period for which they are established, the specific consolidated financial statements do not constitute consolidated financial statements in accordance with IFRS as adopted by the European Union.

Excluding the impact of the duration of the period covered, the specific consolidated financial statements have been prepared on the basis of the accounting principles, estimates and judgments of the Orano group, established in accordance with IFRS as adopted by the European Union as of December 31, 2017 for the period ended December 31, 2017.

Note 1 – HIGHLIGHTS OF THE PERIOD, ESTIMATES AND JUDGMENTS, AND ACCOUNTING PRINCIPLES

1.1 HIGHLIGHTS OF THE PERIOD

Constitution of the Orano group

The AREVA group's restructuring resulted in particular in the creation of New AREVA, a group focused on the mining, conversion-enrichment, spent fuel recycling, nuclear logistics, dismantling and engineering aspects of the cycle.

The first stage of the restructuring took place on November 10, 2016, with the completion of AREVA SA's contribution to New AREVA Holding of all subsidiaries and interests operating in the nuclear fuel cycle. This transaction involving the combination of entities under common control is excluded from the scope of IFRS 3 ("Business Combinations") and was therefore recognized based on historical carrying amounts as they appear in AREVA's consolidated financial statements.

This transaction had two parts, the accounting treatment of which is described below:

- a "Legal Restructuring" consisting of transferring the nuclear fuel cycle operations of AREVA SA to New AREVA Holding. The group's consolidated financial statements at December 31, 2016 include the historical carrying amounts in AREVA's consolidated financial statements of operations (carved-out subsidiaries, units, and assets and liabilities) housed in the legal entities contributed to New AREVA Holding on November 10, 2016. This transaction was recognized retroactively at January 1, 2015, date on which the historical carrying amounts were considered. Nuclear fuel cycle activities included in legal entities not directly or indirectly controlled by New AREVA Holding as of December 31, 2016 were therefore not included in the group's consolidated financial statements at December 31, 2016;
- "Financial Restructuring": these transactions, resulting from the changes made to the way in which the Orano group finances its operations in view of AREVA SA's loss of control over Orano, were recorded in their historical amounts on the date of their effective completion, i.e. November 10, 2016. They include the transfer of bond debt and current accounts between AREVA SA and the entities in the Orano scope, as well as a cash contribution.

In 2016, the nuclear fuel cycle subsidiaries were financed by New AREVA Holding from the date of completion of the contributions; all transactions between New AREVA Holding and its subsidiaries are therefore eliminated as of that date.

In 2017, the final changes were made to the scope of the nuclear fuel cycle activities, and Orano's scope of consolidation was finalized with the acquisition of Orano Projets.

On January 22, 2018, the Extraordinary General Meeting of New AREVA Holding approved the Company's change of name and adopted "Orano" as the new corporate name. The corporate names of the group's main subsidiaries were also modified so as to remain consistent with the new name.

As such, in this document, the terms "Orano SA" and the "Company" refer to the public limited company Orano, known as New AREVA Holding until January 22, 2018, and also known as NewCo pending the change in name. The terms "group" or "Orano" refer to the group of companies formed by Orano SA and its subsidiaries and interests, both direct and indirect. Subsidiaries are also referred to by their new legal names.

Recapitalization of the Company by the French State and investment by the CEA in the Company's capital

On January 10, 2017, after examination of the proposal, the European Commission authorized the French State to take part in the capital increases of AREVA SA and the Company subject to:

- the authorization by the European Commission of the merger between EDF and New NP (the entity known as Framatome since January 4, 2018);
- the findings of the French Nuclear Safety Authority (*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 this segregation or, alternatively, a decision by EDF, duly notified to AREVA SA in view of the sale of New NP (the entity known as Framatome since January 4, 2018), to lift the condition precedent related to the EPR reactor of the Flamanville 3 project as concerns the carbon segregation identified in parts of the reactor vessel.

The European Commission duly authorized the transfer of control of Framatome to EDF on May 29, 2017. This authorization carried with it no obligation.

On June 28, 2017, the ASN Board of Commissioners issued its draft opinion on the results of the demonstration program concerning the carbon segregation issue identified in parts of the Flamanville 3 EPR reactor vessel, stating that "the characteristics of the bottom and the lid of the tank are sufficient in view of the stresses to which these parts are subjected, including in the event of an accident"; subsequently, on July 12, 2017, EDF notified AREVA of its decision to lift the condition precedent set out in Framatome's sale agreement for the Flamanville 3 EPR reactor as regards carbon segregation identified in parts of the reactor vessel. On October 10, 2017, the ASN confirmed the findings of the aforementioned draft opinion.

The conditions stipulated in the decision of January 10, 2017 have therefore been met.

On July 12, 2017, the Board of Directors of the Company, noting the lifting of the preconditions set by the European Commission, decided to make use of the delegation of authority granted by the General Meeting of February 3, 2017 by carrying out a capital increase reserved for the French State. This capital increase of 2.5 billion euros was carried out on July 26, 2017.

On August 16, 2017, the Minister of the Ecological and Solidarity Transition, the Minister of Defense, the Minister of the Economy and Finance, the Minister of Public Accounts and Government Action, and the Minister of Higher Education, Research and Innovation signed an order approving the sale by the State of 12,774,283 shares of the Company to the Commissariat for Atomic Energy and Alternative Energy (CEA). Pursuant to this order, the French State transferred 5.4% of the capital of the Company to the CEA on September 22, 2017.

Change of the closing date

The 2.5 billion euro capital increase reserved for the French State on July 26, 2017 had the effect of reducing AREVA SA's stake in the Company's capital from 100% to 44.4%, thereby removing the latter from the tax consolidation group initially formed by AREVA SA.

As such, and in order to constitute the Company's own tax consolidation group from September 1, 2017, the Combined General Meeting of the Company of July 27, 2017 resolved to temporarily modify the closing date of the financial year, by bringing forward the close of the financial period begun on January 1, 2017 to August 31, 2017 (eight-month financial period), and to return to a closing date on December 31 starting with the financial period beginning on September 1, 2017 (four-month financial period).

For this purpose, the Company prepared consolidated financial statements for an eight-month period ended August 31, 2017. For the closing at December 31, 2017, Orano prepared consolidated financial statements for the four-month period ended December 31, 2017. Specific consolidated financial statements for the 12 months ended December 31, 2017 were also prepared on a voluntary basis.

The formation of the French tax consolidation group around the Company on September 1, 2017 has allowed Orano since that date, as authorized by law, to offset the profit and loss of the main French companies comprising its tax group – including Orano SA – in order to determine the tax expense paid in France after offsetting by Orano SA as parent company.

Capital increases reserved for JNFL and MHI

Under the terms of the Investment Protocol and the Shareholders' Agreement dated March 13, 2017, and their amendments dated July 26, 2017, industrial groups Mitsubishi Heavy Industries (MHI) and Japan Nuclear Fuel Ltd (JNFL), the French State and AREVA agreed to two capital increases reserved for MHI and JNFL, each of 5% and in a cumulative amount of 500 million euros, subject to the fulfillment of conditions precedent, including the recapitalization of the Company by the French State, the transfer of majority control of New NP to EDF, and the satisfaction of standard conditions in the matter of acquisitions of equity interests.

The capital increases reserved for MHI and JNFL were carried out on February 26, 2018, when the funds that had been placed in trust on July 26, 2017, at the time of the completion of the capital increase subscribed by the French State, were released and used to allow JNFL and MHI to subscribe for the second capital increase of Orano SA.

Following this transaction, Orano SA's shareholding structure is now as follows: 45.2% for the French State, 4.8% for the CEA, 40% for AREVA SA, 5% for JNFL and 5% for MHI.

Liquidity position and continuity of operations

Orano confirms its objective of generating positive net cash flow from operations from the 2018 financial year. Orano's short-term borrowings amounted to 429 million euros as of December 31, 2017, including:

- the maturity in September 2018 of a bond of approximately 59 million euros, plus 52 million euros in interest;
- amortization of the loan backed by certain future revenues of the Georges Besse II enrichment plant in the amount of 60 million euros;
- interest-bearing advances in the amount of 137 million euros;
- short-term bank facilities and current accounts in credit in the total amount of 73 million euros.

Orano had a gross cash position of 1.95 billion euros as of December 31, 2017 to meet these commitments and ensure the continuity of its operations over the longer term. In addition, the 0.5 billion euro capital increase reserved for third-party investors was completed on February 26, 2018.

These financial resources are intended to enable Orano to pursue its development and to finance itself autonomously in the markets in the medium term. Beyond the next 12 months, the first significant debt maturity is a 750 million euro bond due on November 6, 2019.

1.2 ESTIMATES AND JUDGMENTS

To prepare its financial statements, AREVA must make estimates, assumptions and judgments impacting the carrying amount of certain assets and liabilities, income and expense items, or information provided in some notes to the financial statements. Orano updates its estimates and judgments on a regular basis to reflect past experience and other factors deemed pertinent, based on economic conditions. As a function of changes in these assumptions or in circumstances, the amounts appearing in its future financial statements may differ from current estimates, particularly in the following areas:

- operating margins on contracts recognized according to the percentage of completion method (see Notes 1.3.3 and 22), which are estimated by the project teams and reviewed by management following the group's procedures;
- cash flow forecasts and the discount and growth rates used for impairment tests for goodwill and other plant, property and equipment and intangible assets (see Notes 9, 10 and 11);
- all assumptions used to assess the value of pension commitments and other employee benefits, including future payroll escalation and discount rates, retirement age and employee turnover (see Notes 1.3.9 and 21);
- all assumptions used to assess the value of provisions for end-of-lifecycle operations and, where appropriate, the assets corresponding to the third-party share, in particular:
  - the estimated costs of those operations,
  - the inflation and discount rates,
  - the schedule of future disbursements,
  - the operating period of the facilities (see Notes 1.3.11 and 12),
  - the scenario chosen with regard to knowledge of the initial condition of the facilities, of the target final condition, and of the waste treatment and removal methods,
  - the procedures for final shut-down;
- assumptions used to measure provisions for contract completion, in particular for waste treatment sectors not existing to date: projected costs of these operations, the provisional expenditure schedule, the inflation rate and the discount rate;
- estimates and judgments regarding the outcome of disputes in progress and, more generally, estimates regarding all of the provisions and contingent liabilities of Orano (see Notes 1.3.10 and 22);
- estimates and judgments relative to the recoverability of accounts receivable from the group's customers and other accounts receivable (see Note 1.3.6);
- estimates and judgments regarding the material or durable nature of the impairment of available-for-sale financial assets (see Notes 1.3.7, 12 and 14);
- estimates of future taxable income used to recognize deferred tax assets (see Notes 1.3.16 and 8).

1.3 ACCOUNTING PRINCIPLES

Excluding the impact of the duration of the period covered, Orano's specific consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as of December 31, 2017. They include the International Accounting Standards (IAS), the IFRS and the interpretations issued by the IFRS Interpretations Committee (IFRS-IC) and by the former Standing Interpretation Committee (SIC). These financial statements are also consistent with IFRS standards drawn up by the International Accounting Standards Board (IASB), insofar as the mandatory adoption date of the standards and amendments published by the IASB and not yet adopted by the European Union at December 31, 2017 is later than that date.

Standards and amendments adopted by the European Union whose application is mandatory for periods beginning on or after January 1, 2017

Standards adopted by the European Union and whose application is mandatory for periods beginning on or after January 1, 2017 are as follows:

- amendments to IAS 12 "Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses". These amendments did not have a material impact on the group's consolidated financial statements;
- amendments to IAS 7 "Statement of Cash Flows: Disclosure Initiative". These amendments require companies to disclose information allowing a reconciliation between the opening and closing balance liabilities and financial assets presented in the "Net cash from (used in) financing activities" section of the cash flow statement, distinguishing between cash and non-cash movements (see Note 23).

Standards adopted by the European Union but whose application is mandatory after December 31, 2017

<u>IFRS 9 "Financial Instruments"</u>

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 fiscal years beginning on or after 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 (or micro-hedge) accounting.

Classification and measurement

In the first Phase of the standard's application, the group's portfolio of financial assets, mainly earmarked to cover end-of-lifecycle operations and trade receivables, was the subject of a detailed review to determine the classification and measurement approach for each asset class under IFRS 9, based on the characteristics of (i) the relevant contractual flows, and (ii) their business model.

In view of the findings of this review, the group chose not to modify the management of its earmarked funds (including investment funds), and to apply by default the treatment used for equity instruments.

Insofar as most of the portfolio of end-of-lifecycle assets is currently classified as available-for-sale financial assets in accordance with IAS 39, the expected impact of IFRS 9 on the classification of earmarked assets is confined to certain assets currently classified as held-to-maturity investments. The remeasurement of these assets at fair value will have a limited impact on shareholders' equity as of January 1, 2018.

For earmarked assets currently classified as available-for-sale financial assets, the cumulative change in fair value as of January 1, 2018 will be reclassified as reserves in the amount of 298 million euros before tax.

Generally speaking, the main impacts expected from the application of IFRS 9 are an increase in volatility in the statement of income. However, the group will continue to prioritize optimization of returns on the assets in the earmarked funds, independently of the volatility that their recognition will trigger in the financial statements.

Impairment
Phase 2 of the “Impairment” standard introduces a new credit risk impairment model based on expected credit losses. This model requires the recognition of 12-month expected credit losses on purchased or originated instruments (resulting from the risk of defaults in the next 12 months) at their initiation. Full lifetime expected credit losses (resulting from the risk of defaults over the remaining life of the instrument) will have to be recognized if the credit risk has increased significantly since initial recognition.

The group has reviewed the rules used to assess the deterioration of credit risk and the determination of expected losses, at one year and at maturity. The analyses performed, which covered all relevant financial assets, chiefly bonds, the claim on the CEA and trade receivables that will be recorded at amortized cost, showed the expected credit loss at the end of 2017 to be immaterial.

Hedge accounting
Phase 3 “Hedging” aims to align hedge accounting more closely with risk management. Based on the work conducted to date, the group does not expect material impacts in its consolidated financial statements. It has also elected to continue applying the hedge accounting provisions of IAS 39 when first applying IFRS 9.

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 is mandatory for fiscal years beginning on or after January 1, 2018. It replaces several standards and interpretations related to recognition of revenue, in particular IAS 18 “Revenue” and IAS 11 “Construction Contracts”. This standard is based on detailed principles for determining when and how much revenue should be recognized.

Analysis carried out by the group has served to identify the main issues liable to have an impact on revenue, particularly as regards the timing of its recognition:

- customer-funded investments: IFRS 15 requires the identification of performance obligations in the contract, which correspond to goods or services whose control is transferred to the customer. Contracts involving customer-funded investments must be analyzed to determine whether control of the financed asset is transferred to the customer, in which case the provision of the said asset becomes a performance obligation distinct from the services rendered by virtue of the asset in question. In this case, the funding received is allocated to the provision of the asset and is recognized in revenue as the control of the asset is transferred. Otherwise, the funding received is allocated to services rendered by virtue of the asset in question, and recognized as revenue as the underlying services are rendered. Funding received is currently recognized as revenue over the construction period of the assets;

- significant financing components: IFRS 15 requires that the transaction price be adjusted in the event that one of the parties to the contract receives a significant advantage from the other party related to the financing of the provision of goods or services to the customer (characterized as a significant time lag between the transfer of control of the goods or services and their payment). This results in an increase in revenue as compared to the nominal amounts of the contract to reflect a financial expense when the group receives financing, or a decrease in revenue as compared to the nominal amounts of the contract to reflect financial income when the group provides financing. The procedures for recognition and measurement of financing components under IFRS 15 differ from current practices;

- rate of recognition of revenue: IFRS 15 requires that revenue be recognized on a percentage-of-completion basis when certain criteria are met. Otherwise, revenue is recognized upon completion. In view of the current portfolio of contracts, the group has not identified a change in the recognition method of revenue.

Generally speaking, the application of IFRS 15 will have a limited impact on the main aggregates of the group's statement of income. A negative impact is expected on the net opening position as of January 1, 2017, as well as a significant increase in the backlog, resulting notably from the treatment of financed investments in Back End activities.

IFRS 15 will be applied by the group starting January 1, 2018 using the "full retrospective approach". As a result, the 2017 comparative financial statements presented in the 2018 financial statements will be restated, and opening shareholders' equity as of January 1, 2017 will be adjusted for the effects of the application of the new standard.

IFRS 16 "Leases"

IFRS 16 "Leases", adopted by the European Union on October 31, 2017, will replace IAS 17. It will be mandatory for fiscal years beginning on or after January 1, 2019.

The group has begun the process of identifying its leases, which mainly cover real estate, industrial equipment and transportation equipment. The group does not plan to apply this standard in advance, and is considering applying the simplified transition method.

New standards and amendments published by the IASB but not yet adopted by the European Union

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration": subject to its adoption by the European Union, this interpretation will be applied prospectively by the group as of January 1, 2018. This interpretation states that when paying or receiving an advance of a non-monetary nature in foreign currency, the amount must be recorded at the rate applying on the date of the transaction, without any subsequent revaluation. Based on analyses conducted to date, the group does not expect the future application of IFRIC 22 to have a significant impact on its consolidated financial statements.
- amendments to IAS 40 "Investment Property": "Transfers of investment property" and amendments to IFRS 2 "Share-based Payment": "Classification and measurement of share-based payment transactions" (effective date: January 1, 2018). The group does not expect these amendments to have an impact on its consolidated financial statements.
- amendments to IFRS 4: application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts";
- annual improvements, 2014-2016 cycle; the group is currently analyzing the potential impacts of these improvements.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective date: January 1, 2019). IFRIC 23 clarifies the application of IAS 12 "Income Taxes" as regards recognition and measurement when there is uncertainty over the treatment of income taxes. Work is underway to estimate the potential impact of this interpretation.
- amendments to IAS 28 "Investments in Associates and Joint Ventures": "Long-term interest in associates and joint ventures" (effective date: January 1, 2019). The group does not expect these amendments to have an impact on its consolidated financial statements.
- amendments to IFRS 9 "Prepayment features with negative compensation", effective January 1, 2019 with earlier application permitted.
- annual improvements, 2015-2017 cycle; the group is currently analyzing the potential impacts of these improvements.
- IFRS 17 "Insurance Contracts" (effective date: January 1, 2021). This new standard, which will replace IFRS 4, lays down new recognition, measurement and presentation rules for insurance contracts falling within its scope. Work will be conducted to estimate the potential impact of this new standard.

Correction to the consolidated financial statements for the year ended at 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 10 million euros, and actuarial gains and losses of 30 million euros were recognized in comprehensive income.

Pursuant to IAS 8, the impact of that 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 as of December 31, 2016 presented in the specific consolidated financial statements for the period ended December 31, 2017, have been adjusted accordingly (see Note 34).

1.3.1. Operating segments

Orano reports its segment information by business line, which corresponds to the level at which performance is reviewed by the group's management, in accordance with the requirements of IFRS 8. The three operating segments presented are: Mining, Front End and Back End.

Orano has adopted centralized management of financial assets and liabilities and tax matters. Therefore, the corresponding balance sheet and statement of income items are not assigned to business operations.

Orano also publishes information by region: Orano's consolidated revenue is broken down between the following five regions by destination of sales: France, Europe excluding France, America (North and South), Asia-Pacific, Africa and Middle East.

1.3.2. Recognition of revenue

Revenue includes:

- revenue from construction contracts and certain services recognized according to the percentage of completion method in accordance with IAS 11 (see Note 1.3.3);
- revenue from other sales of goods and services recognized when most of the risk and rewards are transferred to the customer in accordance with IAS 18.

With regard to commodity trading (uranium), revenue consists simply of the margin obtained by the entity making the sale.

1.3.3. Revenue recognized according to the percentage of completion method

Revenue and margins on construction contracts and certain services are recognized according to the percentage of completion method (PCM), as provided in IAS 11 for construction contracts and in IAS 18 for services.

In applying this method, revenue and profit on contracts are recognized as and when progress on the work is completed. The group uses the cost-based PCM formula, whereby the percentage of completion is the ratio of costs incurred (the costs of work or services performed and confirmed at the end of the accounting period) to the total anticipated cost of the contract. This ratio may not exceed the percentage of physical or technical completion at the end of the accounting period.

When financial contract terms translate into significant cash surpluses during all or part of the contract's performance, the resulting financial income is included in contract income and recognized in revenue based on the percentage of completion.

Orano initially elected not to include financial expenses in the cost of contracts generating a cash loss, as previously allowed under IAS 11. This option is no longer applicable to contracts on which costs have been incurred since January 1, 2009: the financial expenses generated by these contracts are factored into the calculation of the projected profit upon completion.

When estimated income at completion is negative, the loss at completion is recorded immediately in income, after deduction of any already recognized partial loss, and a provision is set up accordingly.

1.3.4. Valuation of property, plant and equipment and intangible assets

1.3.4.1. Initial recognition

Property, plant and equipment and intangible assets are valued using the amortized cost method.

1.3.4.2. Inclusion of borrowing costs

Borrowing costs are not included in the valuation of property, plant and equipment and intangible assets:

- placed in service before January 1, 2009; or
- placed in service after that date but for which expenses had been incurred and recognized as assets in progress at December 31, 2008.

In accordance with the amended IAS 23 accounting standard, effective as from January 1, 2009, the borrowing costs related to investments in property, plant and equipment and intangible assets for projects initiated after that date and for which the period of construction or development is more than one year are included in the costs of these assets.

1.3.4.3. Intangible assets

Research and development expenses

Research expenses incurred by Orano on its own account are expensed as incurred.

Research and Development expenses funded by customers under contracts are included in the production cost of these contracts and recorded under cost of sales when the corresponding revenue is recognized in income.
As provided in IAS 38, expenses relating to development projects are recorded as intangible assets if the project meets the six criteria of IAS 38.

Capitalized development costs are then amortized over the probable useful life of the intangible asset, as from the commissioning date. They are depreciated on a straight-line basis over a minimum period of time.

Mineral exploration and pre-mining development

Mineral exploration and pre-development work are valued according to the following rules:

- exploration expenses whose purpose is to identify new mineral resources, and expenses related to assessments and pre-development of identified deposits are incurred before project profitability is determined and are recognized as "Research and Development Expenses" for the period;
- pre-mining development expenses concern a project which, as of the date of the financial statements, has a strong chance of technical success and commercial profitability, and are capitalized. Indirect costs, excluding overhead expenses, are included in the valuation of these costs. Capitalized pre-mining expenses are amortized in proportion to the number of tons mined from the reserves they helped identify.

Other intangible assets

An intangible asset is recognized when it is probable that future economic benefits therefrom will accrue to the company and if the cost of this asset can be reliably estimated based on reasonable and documented assumptions.

Intangible assets are recorded at their acquisition or production cost.

Goodwill and trademarks produced internally are not capitalized.

Depreciation of intangible assets is calculated using the most appropriate method for the asset category (straight-line depreciation or as a function of the production units), starting on the date they were placed in service and over the shorter of their probable period of use or, when applicable, the length of their legal protection.

An intangible asset whose useful life is not defined, such as a brand, is not amortized, but is subject to impairment tests.

1.3.4.4. Property, plant and equipment

Property, plant and equipment are recognized at acquisition or production cost, including startup expenses, less cumulative depreciation and impairment.

The cost of nuclear facilities includes the group's share of provisions for end-of-lifecycle operations, estimated at the date they are placed in service, termed "end-of-lifecycle assets – group share" (see Note 1.3.11). In accordance with IFRIC 1, changes in provisions for end-of-lifecycle operations coming from changes in estimates or calculation assumptions and relating to nuclear facilities in operation are offset by a change in the same amount of the assets to which these provisions relate.

Property, plant and equipment are depreciated based on the approach deemed most representative of the economic depreciation of the assets (straight-line depreciation or as a function of the production units); each component is depreciated over its specific useful life.

Mining land is depreciated over the operating period of the deposit; site layout and preparation expenses are depreciated over 10 years; buildings over 10 to 45 years; production facilities, equipment and tooling other than nuclear facilities over 5 to 10 years; general facilities and miscellaneous fixtures over 10 to 20 years; and transportation equipment, office equipment, computer equipment and furniture over 3 to 10 years.

The nuclear facilities are depreciated on a straight line over their useful life, measured by taking into account the duration of the portfolios of existing or reasonably foreseeable contracts performed in those facilities.

Depreciation periods are revised if the group's backlog changes significantly.

Changes in the asset value of those facilities, recognized as an offset to changes in the value of provisions for the corresponding end-of-lifecycle operations, as explained above, are depreciated prospectively over their remaining useful life.

Assets financed under leasing arrangements, which transfer, in substance, nearly all the risks and rewards inherent in ownership of the asset to Orano, are recognized in the statement of financial position as property, plant and equipment assets and depreciated as indicated above. Assets financed by customers are depreciated over the term of the corresponding contracts.

1.3.4.5. Impairment of property, plant and equipment, intangible assets and goodwill

Impairment tests on goodwill and intangible assets with indefinite useful lives are systematically performed at least once a year. These tests are performed at the level of the cash-generating units (CGU) to which goodwill and intangible assets belong. In addition, tests are performed on property, plant and equipment and intangible assets with a finite useful life when there is evidence of loss of value.

The group performs asset impairment tests based on its best estimate of their recoverable value, which corresponds to the higher of their net realizable value or their estimated value in use, based on projected cash flows resulting from the strategic plan, the mining plans and the assumptions they contain.

Impairment is recognized when the recoverable amount is less than the net carrying amount of the assets belonging to it. The recoverable amount is the higher of:

- its fair value less disposal costs, corresponding to the net realizable value based on observable data when available (recent transactions, offers received from potential acquirers, reported ratios for comparable publicly traded companies, multiples of uranium resources in the ground obtained by comparing the market capitalizations of comparable companies with the stated reserves or resources of deposits) or on analyses conducted by internal or external experts of the group;
- its value in use, which is equal to the present value of the estimated future cash flows it generates, plus its "terminal value", corresponding to the present value of cash flows for the "base" year, discounted to infinity, estimated at the end of the future cash flow period. However, some CGUs have a finite life (depending on the volume of ore resources in Mining or the duration of operating permits in the nuclear businesses); in this case, the cash flows taken into account to assess their value in use are not discounted to infinity but within the limit of their expected operating life.

1.3.5. Inventories and work-in-process

Financial expenses and research and development costs borne by Orano are not taken into account in the valuation of inventories and work-in-process. However, the cost of Research and Development programs funded by customers is recognized in inventories and work-in-process, as is amortization of capitalized development expenditures.

The costs incurred to get a contract from a customer ("proposal costs") are recognized in work-in-process when there is a high probability on the date of year-end closing that the contract will be signed; in the opposite case, the proposal costs are recognized in profit and loss under "Marketing and sales expenses" and "General and administrative expenses".

1.3.6. Trade accounts receivable

Trade accounts receivable, generally due in less than one year, are recognized using the "amortized cost" method.

An impairment charge is recognized to reflect the probable recovery value when collection is not assured.

1.3.7. Financial assets

Financial assets consist of:

- financial assets earmarked for end-of-lifecycle operations;
- other available-for-sale securities;
- loans, advances and deposits;
- securities held for trading;
- put and call options on securities;
- derivatives used for hedging (see Note 1.3.15);
- cash and cash equivalents.

They are valued in accordance with IAS 39.

Regular purchases and sales of financial assets are recognized at the date of transaction.

1.3.7.1. Financial assets earmarked for end-of-lifecycle operations

This item combines all of the investments that Orano has decided to earmark to the funding of its future end-of-lifecycle operations for nuclear activities, namely dismantling of facilities, and waste retrieval and packaging It includes directly-held publicly traded shares and bonds, dedicated share investment funds, dedicated bond and money-market investment funds, and cash. It also includes receivables resulting from agreements with third parties liable for payment of a share of the financing of end-of-lifecycle operations. These receivables are recognized using the method described in Note 1.3.6.

- Publicly traded shares are classified as “Available-for-sale securities”, as defined by IAS 39; they are recognized at their fair value corresponding to the closing price at the end of the period; changes in value are recorded in “Other comprehensive income” and presented in the balance sheet in their amount net of tax in equity under “Deferred unrealized gains and losses on financial instruments”, with the exception of other-than-temporary impairment, which is recorded in profit or loss for the period.
- Orano does not consolidate the assets of its earmarked investment funds line by line, insofar as it does not control them within the meaning of IFRS 10:
  - Orano is not involved in the management of the earmarked investment funds, which are managed by front-ranking independent management companies. These investment funds are benchmarked to the MSCI index of large European capitalizations, with strict limits on risk. Furthermore, the funds are regulated by the French stock market authority AMF (Autorité des marches financiers) and therefore subject to regulations governing investment and concentration of risk,
  - Orano does not control the management companies of its investment funds,
  - Orano does not hold voting rights in the investment funds,
  - the investment funds do not trade directly or indirectly in financial instruments issued by Orano,
  - none of the financial investments made by the funds are strategic to Orano,
  - Orano receives no benefit and bears no risk other than that normally associated with investments in mutual funds and in proportion to its holding,
  - Orano may only terminate the management agreements in specific cases (gross negligence, fraud, etc.). This means that Orano cannot replace a fund’s management company at will.

Accordingly, the earmarked investment funds are recorded on a single line in the balance sheet in an amount corresponding to Orano’s share of their net asset value as of the end of the period.

In view of the long-term investment objective, investment funds earmarked to fund end-of-lifecycle operations are classified as “available-for-sale securities”. Consequently, the accounting treatment of changes in value and the methods of assessing and recognizing impairment are identical to those applicable to traded shares held directly.

- As an exception to the rules described above, bonds held directly as well as certain dedicated investment funds consisting exclusively of bonds held to maturity are classified in the “securities held to maturity” category and valued using the amortized cost method.

1.3.7.2. Other available-for-sale securities

This item includes other shares held by Orano in listed companies, with the exception of those held in joint ventures and associates consolidated by the equity method, and those held for trading purposes.

These shares are valued in the same manner as shares allocated to the dedicated portfolio:

- fair value equal to the closing price of the period;
- changes in fair value recorded under “Other items of comprehensive income”, except for lasting impairment, which is recognized in net financial income.

It also includes equity securities representing the group’s interests in the capital of companies that it does not consolidate, either because Orano does not exercise control or have significant influence over them, or because of their immaterial nature. Securities of this nature are valued at their acquisition cost when their fair value cannot be estimated reliably. This is the case for unlisted equity securities in particular.

1.3.7.3. Lasting impairment of financial assets earmarked for end-of-lifecycle operations and other available-for-sale securities

Lasting impairment is recognized in the event of a significant or prolonged drop in the price or net asset value of a line of securities below their initial value. This impairment is calculated by subtracting the market price or net asset value of the securities concerned at the end of the period from their initial value, corresponding to their historical acquisition cost.

Orano determines the significant or prolonged nature of a fall in the price or net asset value of a line of securities by using differentiated criteria based on:

- the investment vehicles in question, bearing in mind that volatility and risks can vary substantially: money-market, bond or equity funds; bonds or equities held directly;
- whether or not they are earmarked for end-of-lifecycle operations: the legal framework governing assets earmarked for end-of-lifecycle operations requires them to be held for a very long period, with the timeframe for the expenses covered extending beyond 2050.

Orano has accordingly established thresholds beyond which it considers that a drop in the price or net asset value of a line of securities is significant or prolonged and requires the recognition of other-than-temporary impairment. The impairment is measured for significance by comparing the price or net asset value of the line of securities with its historical acquisition cost. The prolonged nature of a drop is measured by observing the length of time during which the price or net asset value of the line of securities continued to be below its historical acquisition cost.

The drop is always considered significant or lasting if it exceeds the following thresholds, which are objective indicators of impairment:

	Significant	**Lasting**
Assets earmarked for end-of-lifecycle operations		
• Money-market investment funds	5%	1 year
• Bond investment funds and bonds held directly	25%	2 years
• Equity investment funds	50%	3 years
• Directly held shares	50%	3 years
Other available-for-sale securities		
• Directly held shares	50%	2 years

Securities that have fallen below these thresholds are not subject to other-than-temporary impairment unless other available information on the issuer indicates that the decline is probably irreversible; in such cases, Orano uses its own judgment to determine whether other-than-temporary impairment should be recognized.

These thresholds are likely to be re-estimated over time as a function of changes in the economic and financial environment.

Other-than-temporary impairment of available-for-sale securities is irreversible: it can only be recovered through profit or loss when the securities in question are sold. An increase in prices or in net asset value subsequent to the recognition of impairment is recorded as a change in fair value under “Other items of comprehensive income”. Any additional loss of value affecting a previously impaired line of securities is recorded as additional impairment in net financial income for the period.

1.3.7.4. Loans, advances and deposits

This heading mainly includes loans related to unconsolidated interests, advances for acquisitions of interests, and security deposits.

These assets are valued at amortized cost. Impairment is recognized when the recoverable amount is less than the net carrying amount.

1.3.7.5. Securities held for trading

This heading includes investments in equities, bonds and shares of funds held to generate a profit based on market opportunities.

They are recorded at their fair value on the basis of their market price or net asset value at the closing date; changes in value are recorded in net financial income for the period.

1.3.7.6. Put/call options on securities

Put and call options on traded securities are recognized at fair value on the closing date using the Black-Scholes pricing model; changes in value are recorded under net financial income for the period.

The price of an option consists of intrinsic value and time value. Intrinsic value is the difference between the strike price of an option and the market price of the underlying security. Time value is based on the security's volatility and the date on which the option may be exercised.

1.3.7.7. Cash and cash equivalents

Cash includes bank balances and non-trade current accounts with unconsolidated entities.

Cash equivalents include risk-free marketable securities with an initial maturity of three months or less, or which may be converted into cash almost immediately. In particular, these assets include marketable debt instruments and shares of money market funds in euros, valued at amortized cost.

1.3.8. Treasury shares

Treasury shares are not recognized in the balance sheet but deducted from equity, at their acquisition cost.

1.3.9. Employee benefits

Pension, early retirement, severance pay, medical insurance, long-service medals, accident and disability insurance, and other related commitments, whether for active personnel and for retired personnel, are recognized pursuant to IAS 19 as amended.

The benefits provided under post-employment benefits can be distinguished according to whether the level of benefits depends on (i) contributions made by the employee ("defined contribution" plans) or (ii) a level of benefit defined by the company ("defined benefit" plans").
In the case of defined contribution plans, the group's payments are recognized as expenses for the period to which they relate.
For defined benefit plans, benefit costs are estimated using the projected credit unit method: under this method, accrued pension benefits are allocated among service periods based on the plan vesting formula. If the services rendered in subsequent periods result in a higher level of benefit entitlements than in previous periods, the company must allocate benefit entitlements on a straight-line basis.

The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and probability of payment. These future payments are reduced to their present value using a discount rate determined according to the rates of investment-grade corporate bonds of a maturity equivalent to that of the company's corporate liabilities.

Actuarial gains and losses relating to post-employment benefits (change in the valuation of the commitment and financial assets due to changes in assumptions and experience differences) are recognized under "other items of comprehensive income" and are presented on the balance sheet in their after-tax amount under the equity account "consolidated premiums and reserves"; they are not recyclable to the statement of income.

On the other hand, actuarial gains and losses relating to benefits for currently employed employees (e.g. long-service medals) are recognized in the statement of income.

The effects of plan changes (gains and losses) are recognized in the statement of income under the heading "other operating income and expenses".

The costs relating to employee benefits (pensions and other similar benefits) are split into two categories:

- the discounting reversal expense for the provision, net of the expected yield on assets earmarked for retirement plans, are charged to net financial income; the expected yield of the assets is calculated using the same interest rate used to discount the provision;
- the expense corresponding to the cost of the services rendered is divided between the different operating expense items by purpose: the costs of products and services sold, Research and Development, sales and marketing expenses, administrative expenses.

The discount rate used to measure these obligations as of December 31, 2017 was 1.50% for the Eurozone, unchanged vs. December 31, 2016. It was 3.25% in the United States as of December 31, 2017 for the US zone (compared with 4.0% as of December 31, 2016).

These rates are set in light of several relevant indicators, the primary one being the Group's corporate IAS 19 yield curve by the co-ordinating actuary, supplemented by a basket of high quality corporate bonds from the Eurozone, of comparable maturities.

1.3.10. Provisions

As provided in IAS 37, a provision is recognized when the Group has an obligation towards a third party at the end of the period, whether legally, contractually or implicitly, and it is probable that a net outflow of resources would be required after the end of the period to settle this obligation, without receiving consideration at least equal to the outflow. A reasonably reliable estimate of net outflow must be determined in order to recognize a provision.

When the outflow of resources is expected to occur in more than two years, provisions are discounted to net present value if the impact of discounting is material.

The provisions for work completion cover a set of future services to be provided under contracts for which the obligations to the clients have been closed out and the revenue recognized.

1.3.11. Provisions for end-of-lifecycle operations

Principles for valuing costs for dismantling and for waste retrieval and packaging

The valuation of facility dismantling costs is based on methods that provide the best estimate of costs and schedules for design studies and operations for facilities in operation and for discontinued facilities.

The provisions cover:

- the costs of certain wastes from older contracts for processing spent fuel which could not be treated on site;
- the costs to prepare the installation site for decommissioning. The final condition (buildings and soils) of the facilities to be decommissioned serves as a base assumption for the dismantling scenario;
- the costs of transport and storage of radioactive waste by Andra.

The provisions for the end-of-lifecycle operations are recognized through operating profit and loss.

Costs are revised to take inflation into account and to reflect economic conditions for the period. They are then allocated in accordance with the provisional schedule of disbursements, and take into account the forecast inflation rate and discount rate. A provision is then recognized based on the present value.

In addition, the financing expected from of third parties relating to the share of the provisions for end-of-lifecycle operations is recorded in a non-current asset account entitled: "End-of-lifecycle assets – third party share", which is discounted in exactly the same way as the related provisions.

The group's share of provisions for end-of-lifecycle operations, estimated at the date the corresponding nuclear facilities are placed in service, is an integral part of the cost of those facilities, which is recognized in property, plant and equipment (see Note 1.3.3.4) as "End-of-lifecycle assets – group share".

Treatment of amortization

The group's share of end-of-lifecycle assets is amortized over the same period as the facilities concerned.

The corresponding amortization expense is not considered as part of the cost of inventories or the cost of contracts, and is not taken into account in the calculation of their percentage of completion. However, it is included in the statement of income under cost of sales and thus deducted from gross margin.

Treatment of income and expenses from discounting reversals

The provision is accreted at the end of each period: accretion represents the increase in the provision in line with the passage of time. This increase is recorded as a financial expense.

Similarly, the discounting of the provision corresponding to the third-party share is partially reversed rather than amortized.
The resulting increase in the third-party share is recognized as financial income.
The share financed by third parties is reduced for the value of work done on their behalf, with recognition of a receivable from these third parties in the same amount.

Inflation and discount rates used to discount end-of-lifecycle operations

The inflation and discount rates used to discount end-of-lifecycle operations are determined according to the following principles.

The inflation rate is set in accordance with the long-term inflation projections for the Eurozone and taking into account the European Central Bank's target rate.

The discount rate is set:

- pursuant to IAS 37, i.e. based on market conditions at year-end closing and the specific characteristics of the liability; and
- to comply with the regulatory ceiling set by the decree of February 23, 2007 and the order of December 29, 2017 amending the decree of March 21, 2007 on securing the funding of nuclear expenses.

The rate thus results from implementation of the following approach:

- a rate curve is 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 expected disbursements, a single equivalent rate is deducted from the rate curve constructed in this manner;
- an estimate made by reference to the statutory ceiling, namely the weighted average of the fixed rate of 4.3% (level of the regulatory ceiling noted at December 31, 2016) and the average yield of French 30-year government bonds over the last four years, plus the spread of investment grade corporate bonds, the weighting changing gradually over a period of 10 years until 2026.

The revision of the discount rate is accordingly a function of market rates, structural changes in the economy resulting in medium- and long-term changes, and the potential effects of regulatory ceilings.

Treatment of changes in assumptions

Changes in assumptions relate to changes in cost estimates, discount rates and disbursement schedules.

As provided in IFRS, the group uses the prospective method:

- if the facility is in operation, the shares of end-of-lifecycle assets of the group and third parties are corrected in the same amount as the provision; the group's share of end-of-lifecycle assets is amortized over the remaining life of the facilities;
- if the facility is no longer in operation, the impact is recognized during the year of the change. The impact of changes in cost estimates is recognized under operating income, while the impact of changes in discount rates and disbursement schedules is recognized under net financial income.

Provisions for waste retrieval and packaging funded by the group have no corresponding asset. As a result, changes in assumptions concerning the portion of these provisions financed by the group are recognized immediately in profit or loss: the impact of changes in cost estimates is recognized under operating income, while the impact of changes in discount rates and disbursement schedules is recognized under net financial income.

1.3.12. Borrowings

Borrowings include:

- interest bearing liabilities (including bonds);
- obligations under finance leases; and
- put options held by minority shareholders of AREVA group subsidiaries.

1.3.12.1. Other interest-bearing debt

This heading includes:

- certain interest-bearing advances received from customers: interest-bearing advances received from customers are classified as financial liabilities when they are settled in cash, and as operating liabilities in other cases (see Note 1.3.13);
- loans from financial institutions;
- bonds issued by Orano;
- short-term bank facilities.

Interest-bearing debt is recognized at amortized cost based on the effective interest rate method.

Bond issues hedged with a rate swap (fixed rate/variable rate swap) qualified as fair value hedges are revalued in the same amount as the hedging derivative.

1.3.12.2. Obligations under finance leases

As provided in IAS 17, leasing arrangements are considered finance leases when all of the risks and rewards inherent in ownership are, in substance, transferred to the lessee. At inception, finance leases are recognized as a debt offsetting an asset in the identical amount, corresponding to the lower of the fair value of the property and the discounted net present value (NPV) of future minimum payments due under the contract.

Lease payments made subsequently are treated as debt service and allocated to repayment of the principal and interest, based on the rate stipulated in the contract or the discount rate used to value the debt.

1.3.13. Advances and prepayments received

There are three types of advances and prepayments from customers:

- interest-bearing advances settled in cash, which are classified as financial liabilities (see Note 1.3.12.2);
- advances and prepayments financing fixed assets: this item records the amounts received from customers and used to finance capital expenditure for the performance of long-term contracts to which they are party;
- advances and prepayments on orders: this item records customer advances and prepayments not falling within the preceding two categories; their reimbursement is charged against revenue earned from the contracts in question.

1.3.14. Translation of foreign currency denominated transactions

Foreign currency-denominated transactions are translated by group companies into their functional currency at the exchange rate prevailing at the transaction date.
Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rate prevailing on the last day of the period. Foreign exchange gains and losses are then recognized:

- in operating income when related to operating activities: trade accounts receivable, trade accounts payable, etc.
- in financial income when related to loans or borrowings.

1.3.15. Derivatives and hedge accounting

1.3.15.1. Risks hedged and financial instruments

Orano uses derivative instruments to hedge its foreign exchange and interest rate risks. The derivatives used are mainly forward currency contracts, currency and interest rate swaps, inflation swaps and currency options.

The hedged risks relate to receivables, liabilities and firm or projected obligations in foreign currencies.

1.3.15.2. Recognition of derivatives

As provided in IAS 39, derivatives are initially recognized at fair value and subsequently revalued at the end of each accounting period until settled.

Accounting methods for derivatives vary, depending on whether the derivatives are designated as fair value hedging items, cash flow hedging items, hedges of net investments in foreign operations, or do not qualify as hedging items.

Fair value hedges

This designation concerns hedges of firm commitments in foreign currencies: purchases, sales, receivables and debt. The hedged item and the derivative are revalued simultaneously and any changes in value are recorded in the statement of income.

Cash flow hedges

This designation refers to hedges of probable future cash flows: projected purchases and sales in foreign currencies.

The highly probable hedged items are not valued in the balance sheet. Only the derivative hedges are revalued at the end of each accounting period. The portion of the gain or loss that is considered effective is recognized under “other items of comprehensive income” and presented directly in equity under the balance sheet heading “deferred unrealized gains and losses on financial instruments”, on an after-tax basis. Only the ineffective portion of the hedge impacts income for the period.

The amounts recognized under “deferred unrealized gains and losses on financial instruments” are released to income when the hedged item impacts the statement of income, i.e. when the hedged transaction is recognized in the financial statements.

Hedges of net investments in foreign operations

This designation relates to borrowings in a foreign currency and to borrowings in euros when the euro has been swapped against a foreign currency, to finance the acquisition of a subsidiary using the same functional currency for instance. Currency translation adjustments on these borrowings are recognized under “other items of comprehensive income” and presented on the balance sheet under “currency translation reserves” in their net amount after tax; only the ineffective portion is recognized through profit and loss.

The amount accumulated in currency translation reserves is released to profit and loss when the subsidiary in question is sold.

Derivatives not qualifying as hedges

When derivatives do not qualify as hedging instruments, fair value gains and losses are recognized immediately in the statement of income.

1.3.15.3. Presentation of derivatives in the statement of financial position and statement of income

Presentation in the statement of financial position

Derivatives used to hedge risks related to market transactions are reported under operating receivables and liabilities in the statement of financial position. Derivatives used to hedge risks related to loans, borrowings and current accounts are reported under financial assets or borrowings.

Presentation in the statement of income

The revaluation of derivatives and hedged items relating to market transactions affecting the statement of income is recognized under “other operating income and expenses”, except for the component corresponding to the discount/premium, which is recognized in financial income.

For loans and borrowings denominated in foreign currencies, fair value gains and losses on financial instruments and hedged items are recognized in financial income.

1.3.16. Income tax

As provided in IAS 12, deferred taxes are determined for all temporary differences between net carrying amounts and the tax basis of assets and liabilities, to which is applied the anticipated tax rate at the time of reversal of these temporary differences. They are not discounted.

Temporary taxable differences generate a deferred tax liability.

Temporary deductible differences, tax loss carry-forwards, and unused tax credits generate a deferred tax asset equal to the probable amounts recoverable in the future. Deferred tax assets are analyzed case by case for recoverability, taking into account the income projections of the group’s strategic action plan.

Deferred tax assets and liabilities are netted for each taxable entity if the entity is allowed to offset its current tax receivables against its current tax liabilities.

Deferred tax liabilities are recorded for all taxable temporary differences of subsidiaries, associates and partnerships, unless AREVA is in a position to control the timing of reversal of the temporary differences and it is probable that such reversal will not take place in the foreseeable future. Tax accounts are reviewed at the end of each financial year, in particular to take into account changes in tax laws and the likelihood that amounts recognized will be recovered.

Deferred taxes are mostly carried in profit and loss, with the exception of those which relate to "Other items of comprehensive income," which are also carried in "Other items of comprehensive income."

Orano has elected to recognize the value added business tax (C*ontribution sur la valeur ajoutée des entreprises*, CVAE) to which its French subsidiaries have been subject at a rate of 1.6% since 2010 (including the Chamber of Commerce and Industry tax), as income tax. Orano considers that the base for calculation of the CVAE is a net amount rather than a gross amount, since the value added of its largest French subsidiaries represents a relatively small percentage of their revenue, bringing the value added business tax into the scope of accounting standard IAS 12, Income Taxes.

As provided in IAS 12, this election requires recognition of deferred taxes at the rate of 1.6% on the corresponding temporary differences.

Deferred tax assets

The recoverable share of the group's deferred tax assets is that for which the probability of recovery is higher than 50%. To establish this probability, the group performs a three-step analysis: (a) demonstration of the non-recurring nature of the losses; (b) analysis of future earnings prospects; and (c) analysis of tax management opportunities.

Regarding the outlook for future income, the probability of future taxable profits to offset losses carried forward is assessed based on forecasts generated as part of the budget process validated by management. Future earnings prospects are established over a 10-year timeframe on the basis of the initial budget, for each entity or consolidated scope, taking into account their track record in respect of losses. The 10-year forecasting horizon selected is consistent with the volume in group's backlog, the operating period of the assets, and the existence of certain framework agreements.

Note 2 – CONSOLIDATION SCOPE

2.1. Consolidated companies (French / foreign)

(number of companies)	2017		2016	
Consolidation method	French	Foreign	French	Foreign
Full consolidation	24	46	27	49
Equity method	2	13	1	6
Sub-total	**26**	**59**	**28**	**55**
Total	**85**		**83**	

(Change of method for intermediate packages, see Note 2.4)

2.2. Transactions completed at December 31, 2017

Sale of MAINCO:

Orano sold its subsidiary MAINCO, specialized in industrial logistics, to a French family-owned group on June 30, 2017.

Acquisition of Orano Projets (formerly AREVA Projets)

In January 2017, Orano acquired Orano Projets from AREVA NP SAS in order to consolidate the nuclear cycle engineering within Orano, as planned under the group's restructuring plan (see Note 19).

Creation of Orano GmbH and acquisition of Dekontaminierung Sanierung Rekultivierung (DSR)

Orano has established a German company trading as Orano GmbH as part of the restructuring of the Orano group, to house the dismantling and associated services previously housed in AREVA GmbH. To that end, this company has acquired from AREVA GmbH its reactor dismantling operations and DSR IngenieurgesellschaftmbH, an engineering company specialized in radiation protection and the safety of nuclear facilities, both operational and decommissioned.

Purchase of non-controlling interests in EURODIF SA

In July 2017, Orano Cycle acquired ENUSA's 11.1% stake in Eurodif SA, followed by ENEA's 8% stake in October 2017, bringing its direct stake in that company to 75%. This acquisition follows that made in December 2016 from SYNATOM and is consistent with Orano Cycle's plan to acquire all the shares held by its partners following the shutdown of the Georges Besse gaseous diffusion plant at the Tricastin site, in order to optimize its operational management of the site.

Creation of SI-nerGIE

Orano and Framatome (formerly New NP) have created a consortium (G*roupement d'intérêt économique*, GIE) known as SI-nerGIE to share a joint information system and as such to avoid the additional costs and operational risks related to information systems as part of the restructuring of the AREVA group.

2.3. 2016 Transactions

Sale of Canberra France and its subsidiaries

On July 1, 2016, Orano sold French company Canberra SAS, an Orano Cycle subsidiary specialized in radioactivity detection and measurement instrumentation, to industrial group Mirion Technologies, Inc.

Buy-back of interests in Société d'Enrichissement du Tricastin Holding

At the end of 2016, Orano acquired part of the non-controlling interests in SET Holding, representing 7% of the capital, from certain minority shareholders.

Purchase of non-controlling interests in EURODIF SA

At the end of 2016, Orano acquired part of SYNATOM's interests in EURODIF.

2.4. Consolidated companies and associates

Name of unit or controlling entity: Company name, legal form			2017		2016	
New name	Old name	Country	Method	Percentage of	Method	Percentage of
Mining BU						
Orano Resources Southern Africa	AREVA Resources Southern Africa	Virgin Islands	FC	100	FC	100
Orano Canada Inc. (*)	AREVA Resources Canada(*)	Canada	FC	100	FC	100
KATCO	KATCO	Kazakhstan	FC	51	FC	51
Orano Mining	AREVA Mines	France	FC	100	FC	100
SOMAIR	SOMAIR	Niger	FC	63.40	FC	63.40
CFMM	CFMM	France	FC	100	FC	100
-	SMJ(**)	France			FC	100
CFM	CFM	France	FC	100	FC	100
UG USA Inc	UG USA Inc	United States	FC	100	FC	100
Orano Holdings Australia	Areva Holdings Australia Pty Ltd	Australia	FC	100	FC	100
Société d'exploitation d'IMOURAREN	Société d'exploitation d'IMOURAREN	Niger	FC	57.66	FC	57.66
Orano Est Canada	AREVA EST CANADA LTEE	Canada	FC	100	FC	100
Urangesellschaft Canada Limited	Urangesellschaft Canada Limited	Canada	FC	100	FC	100
URAMIN Centrafrique	URAMIN Centrafrique	Central African Rep.	FC	100	FC	100
Orano Namibia	URAMIN Namibia (Pty) Ltd	Namibia	FC	100	FC	100
URANOR Inc	URANOR Inc	Canada	FC	100	FC	100
Orano Québec Inc	AREVA Québec	Canada	FC	100	FC	100
Orano Expansion	AREVA NC EXPANSION	France	FC	86.51	FC	86.51
JORDAN AREVA RESSOURCES	JORDAN AREVA RESSOURCES	Jordan	FC	50	FC	50
Erongo Desalination Company (PTY) LTD	Erongo Desalination Company (PTY) LTD	Namibia	FC	100	FC	100
AREVEXPLO RCA SA	AREVEXPLO RCA SA	Central African Rep.	FC	70	FC	70
Orano Gabon	AREVA GABON	Gabon	FC	100	FC	100
Orano Processing Namibia	AREVA PROCESSING NAMIBIA	Namibia	FC	100	FC	100
AFMECO MINING & EXPLORATION PTY LTD	AFMECO MINING & EXPLORATION PTY LTD	Australia	FC	100	FC	100
UG Asia Limited	UG Asia Limited	China	FC	100	FC	100
COMINAK	COMINAK	Niger	EM	34	EM	34
COMUF	COMUF	Gabon	FC	68.42	FC	68.42
Urangesellschaft - Frankfurt	Urangesellschaft - Frankfurt	Germany	FC	100	FC	100
Orano Mongol LLC	AREVA MONGOL	Mongolia	FC	66	FC	66
COGEGOBI	COGEGOBI	Mongolia	FC	66	FC	66
Badrakh Energy LLC	AREVA Mines LLC	Mongolia	FC	43.56	FC	66

Chemistry & Enrichment BU (Front End)						
EURODIF SA (see Note 20)	EURODIF SA	France	FC	100	FC	100
EURODIF PRODUCTION (see Note 20)	EURODIF PRODUCTION	France	FC	100	FC	100
SOCATRI (see Note 20)	SOCATRI	France	FC	100	FC	100
SOFIDIF	SOFIDIF	France	FC	60	FC	60
SET HOLDING	SET HOLDING	France	FC	95	FC	95
SET	SET	France	FC	95	FC	95
ETC (*)	ETC (*)	Great Britain	EM	50	EM	50
Orano USA LLC	AREVA Nuclear Materials, LLC	United States	FC	100	FC	100
Laboratoire d’étalons d’activité	Laboratoire d’étalons d’activité	France	FC	100		
Recycling BU (Back End)						
Orano Temis	AREVA TEMIS	France	FC	100	FC	100
Orano Cycle Japan Projects	AREVA NC JAPAN Projects	Japan	FC	100	FC	100
ANADEC – Orano ATOX D&D Solutions Co., Ltd	ANADEC	Japan	EM	50	EM	50
-	AREVA RMC UK Ltd	Great Britain			FC	100
Orano GmbH	AREVA Decomissioning & Services GmbH (AREVA DS GmbH)	Germany	FC	100		
Dekontaminierung Sanierung Rekultivierung	Dekontaminierung Sanierung Rekultivierung	Germany	FC	100		
AREVA MACE ATKINS	AREVA MACE ATKINS	Great Britain	EM	33	EM	33
Decommissioning & Services BU (Back End)						
Orano DS – Démantèlement et Services	STMI	France	FC	73.86	FC	73.86
-	POLINORSUD (**)	France			FC	73.86
-	MSIS (**)	France			FC	73.86
-	AMALIS (**)	France			FC	73.86
CNS	CNS	France	FC	51	FC	51
Trihom	Trihom	France	FC	48.75	FC	48.75
SICN	SICN	France	FC	100	FC	100
Logistics BU (Back End)						
	MAINCO	France			FC	100
LEMARECHAL	LEMARECHAL	France	FC	100	FC	100
TN International	TN International	France	FC	100	FC	100
Columbiana High Tech	Columbiana High Tech	United States	FC	100	FC	100
TN Americas LLC	TN Americas LLC	United States	FC	100	FC	100
HOLDING & Corporate						
Orano	NEW AREVA HOLDING	France	FC	100	FC	100
Orano Cycle	AREVA NC SA	France	FC	100	FC	100
Orano Support	AREVA BS	France	FC	100	FC	100
Orano MED BU						
Orano Med	AREVA MED SAS	France	FC	100	FC	100
Orano Med LLC	AREVA MED LLC	United States	FC	100	FC	100
Orano Projets BU						
Orano Projets	AREVA Projects France	France	FC	100		
Orano Projects Ltd.	AREVA Projets - RMC UK	Great Britain	FC	100		
Central Other						
Orano Assurance et Réassurance	AREVA Insurance and Reinsurance	France	FC	100	FC	100
PIC	PIC	United States	FC	100	FC	100
AREVA (Beijing) Technology Co Ltd	AREVA Beijing Consulting CO Ltd	China	FC	100	FC	100
-	AREVA Beijing Technology	China			FC	100
Orano Japan	AREVA JAPAN	Japan	FC	100	FC	100
Orano Korea	AREVA KOREA	Rep. of Korea	FC	100	FC	100
Orano Federal Services LLC	AREVA FEDERAL SERVICES LLC	United States	FC	100	FC	100
AREVA India Private Ltd	AREVA India Private Ltd	India	FC	100	FC	100
Orano UK Ltd.	AREVA UK Ltd	Great Britain	FC	100	FC	100
SI-nerGIE	SI-nerGIE	France	EM	50		

(FC: full consolidation: EM: equity method; JO: joint operation)

(*) ETC and Orano Canada Inc. are intermediate packages, representing 11 and 7 companies respectively. The number of companies included in the intermediate packages was revised at the end of 2017, from 6 to 11 companies for ETC and from 9 to 7 companies for Orano Canada Inc. The increase in the number of companies does not reflect acquisitions or disposals.

(**) Mergers between consolidated entities.

2.5. Unconsolidated companies

The net value of unconsolidated equity at less than 50% ownership, representing 9 investments, amounts to 3 million euros on the balance sheet.

The net carrying amount of the 11 unconsolidated companies in which the company holds interests of more than 50% amounts to 4 million euros. The company believes there is no risk associated with these holdings and considers them non-material.

Note 3 – REVENUE

(in millions of euros)	**2017**	**2016**
Contracts accounted for according to the percentage of completion method	1,042	1,179
Other sales of products and services		
- Sales of goods	1,335	1,708
- Sales of services	1,548	1,515
Total	**3,926**	**4,401**

Note 4 – ADDITIONAL INFORMATION BY TYPE OF EXPENSE

(in millions of euros)	**2017**	**2016**
Employee expenses(*)	(1,468)	(1,328)
Average full time equivalent workforce	*18,293*	*17,781*
Operating leases	(36)	(21)

(*) Excluding pension obligations

The change in personnel expenses and the average full-time equivalent workforce chiefly reflects changes in the scope of consolidation, and notably the acquisition of Orano Projets (see Note 2.2), less the result of further progress on the voluntary redundancy plan initiated in 2015.

Note 5 – MARKETING, SALES, GENERAL AND OTHER EXPENSE AND OTHER OPERATING INCOME

Selling and general expenses

Marketing, Sales and general expenses refers to administrative costs not allocated to business costs. In 2016, corporate external costs were borne by AREVA SA under existing agreements.

Other operating expenses

(in millions of euros)	2017	2016
Restructuring and early retirement plan costs	(54)	(4)
Goodwill impairment	-	-
Impairment of other assets	(492)	(306)
Income on sales of non-financial assets	(6)	(1)
Other operating expenses	(83)	(82)
Total other operating expenses	**(634)**	**(393)**

Restructuring expenses are predominantly personnel expenses relating to redundancy plans initiated in France and internationally.

Impairment of goodwill and other assets is described in Notes 9, 10 and 11.

Other operating expenses include expenses relating notably to the postponement of the work to start mining operations on the Imouraren and Trekkopje sites, generating care and maintenance costs, as well as the development of infrastructure in the amount of 33 million euros in 2017 (compared with 29 million euros in 2016).

Other operating income

(in millions of euros)	2017	2016
Income on disposals of assets other than financial assets	31	-
Other operating income	50	22
Total other operating income	**81**	**22**

In 2017, other operating income includes:

- the reversal of a provision covering the supply and service contract with ETC in the amount of 29 million euros (see Note 22);
- a foreign exchange gain on commercial transactions in the amount of 8 million euros (compared with 13 million euros in 2016).

Note 6 - RECONCILIATION BETWEEN OPERATING INCOME AND EBITDA

(in millions of euros)	2017	2016
Operating income	(34)	415
Net increase in depreciation and impairment of intangible assets, net of reversals	289	105
Net increase in depreciation and impairment of property, plant and equipment, net of reversals	773	781
Impairment of current assets, net of reversals	(43)	32
Provisions, net of reversals(*)	(234)	(226)
Investment subsidies recognized through profit and loss	-	0
Costs of end-of-lifecycle operations performed	195	230
EBITDA	**946**	**1,338**

(*) including increases and reversals of provisions for employee benefits

Note 7 – NET FINANCIAL INCOME

(in millions of euros)	2017	2016
Income from cash and cash equivalents	16	9
Gross borrowing costs	(221)	(228)
Net borrowing costs	**(205)**	**(219)**
Other financial income and expenses	**(59)**	**(293)**
Net financial income	**(264)**	**(512)**

Gross borrowing costs amounted to 221 million euros at December 31, 2017, including interest expense on bonds in the amount of 188 million euros (compared with 38 million euros recognized from November 10, 2016 for the 2016 fiscal year). Prior to AREVA SA's contributions to New AREVA Holding, the group's debt consisted of interest-bearing current accounts payable to AREVA SA, in the amount of 119 million euros.

Breakdown of other financial income and expense

(in millions of euros)	2017	2016
Share related to end-of-lifecycle operations	**153**	**(91)**
Income from disposal of securities earmarked for end-of-lifecycle operations	253	90
Dividends received	125	216
Income from receivables related to dismantling and from discount reversal on earmarked assets	37	23
Impairment of securities	-	(22)
Impact of changes in discount rate and of schedule revisions	3	(178)
Unwinding expenses on end-of-lifecycle operations	(265)	(220)
Share not related to end-of-lifecycle operations	**(212)**	**(202)**
Foreign exchange gain (loss)	(29)	-
Impairment of financial assets	(16)	-
Interest on customer contract prepayments	(47)	(54)
Financial income from pensions and other employee benefits	(21)	(30)
Other financial expenses	(107)	(130)
Other financial income	8	11
Other financial income and expenses	**(59)**	**(293)**

Other financial expenses mainly consist of the accretion of provisions for contract completion, provisions for mining site redevelopment and the dismantling of treatment facilities, and the discount/premium on financial hedging instruments.

Note 8 – INCOME TAX

Analysis of tax expense

(in millions of euros)	**2017**	**2016**
Current taxes (France)	(114)	(201)
Current taxes (other countries)	(35)	(34)
Total current taxes	**(150)**	**(235)**
Deferred taxes	94	(97)
Total tax income	**(56)**	**(332)**

The July 26, 2017 capital increase in favor of the Company resulted in the removal of the Company and its subsidiaries from the tax consolidation formed around AREVA SA, retroactively from January 1, 2017.

Their exit from the AREVA SA tax consolidation means that loss-making companies have lost all rights to carry forward tax losses incurred during the period of their consolidation by AREVA SA, i.e. from their date of consolidation by AREVA SA to December 31, 2016. This effect remains without impact on the tax expense, since no deferred tax had been previously recognized in this regard.

The tax credits that the tax-consolidated companies transmitted to the parent company during the tax consolidation period and that were not used within the consolidation will be refunded by AREVA SA in the first half of the fourth year following that in which the expenses giving rise to the tax credit were incurred, i.e., from 2018 (the 2014 tax credits) to 2020 (the 2016 tax credits).

The main French subsidiaries in the consolidation, which are at least 95% owned, have established a new tax consolidation as of September 1, 2017.

The change in deferred taxes for the period notably includes the offsetting against deferred tax assets of deferred tax liabilities contributed to the tax consolidation by subsidiaries that were not previously part of the tax consolidation group, in the amount of 113 million euros.

No deferred tax assets were recognized in respect of the tax loss carryforwards of the French entities included in the tax consolidation at December 31, 2017.

Reconciliation of tax expense and income before taxes

(in millions of euros)	2017	2016
Net income attributable to owners of the parent	**(252)**	**(239)**
Less		
Net income from operations sold, discontinued or held for sale	2	(70)
Minority interests	(108)	(110)
Net income of associates	4	(10)
Tax expense (income)	56	332
Income before tax	**(298)**	**(97)**
Theoretical tax income (expense) at 34.43%	103	33
Impact of tax consolidation		
Operations taxed at a rate other than the full statutory rate	(20)	(20)
Unrecognized deferred taxes	39	(359)
Other change in permanent differences	(178)	14
Effective tax income (expense)	**(56)**	**(332)**
Effective tax rate	**na**	**na**

Breakdown of other change in permanent differences

(in millions of euros)	2017	2016
Parent / subsidiary tax treatment and inter-company dividends	(1)	-
Impact of permanent differences for tax purposes	4	(10)
Differences between the French tax rate and tax rates applicable abroad	(11)	(9)
CVAE business tax	(15)	(22)
Impact of change in tax rate	(147)	157
Other	(9)	(102)
Total other change in permanent differences	**(178)**	**14**

Deferred tax assets and liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Deferred tax assets	101	178
Deferred tax liabilities	(33)	(113)
Net deferred tax assets and liabilities	**68**	**65**

For all French companies, the expected tax rates depending on the year in which temporary differences will be reversed are as follows:
2017-2018: 34.43%;
2019: 32.02%;
2020: 28.92%;
2021: 27.37%;
2022 and beyond: 25.83%.

Following the tax reform in United States, the federal tax rate is 21%. Combined with state taxes, Orano Inc.'s tax rate is now approximately 25%.

Main categories of deferred tax assets and liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
<u>Tax impact of temporary differences related to:</u>		
Property, plant and equipment, intangible assets and non-current financial assets	18	(101)
Working capital assets	(29)	23
Provisions for pension obligations	124	107
Provisions for restructuring	0	2
Tax-driven provisions	(134)	(129)
Provisions for dismantling	30	32
Impact of loss carry-forwards and deferred taxes	34	91
Other temporary differences	25	41
Net deferred tax assets and liabilities	**68**	**65**

The change in deferred tax assets and liabilities on property, plant and equipment, and non-current financial assets mainly reflects the impact of the US tax reform and the recognition of a deferred tax asset to offset the deferred tax liability relating to the entry of SET into the Orano SA tax consolidation.

Change in consolidated deferred tax assets and liabilities

(in millions of euros)	2017	2016
At January 1	**65**	**101**
Tax on continuing operations, recognized in profit or loss	94	(97)
Tax recognized in operations held for sale	0	2
Tax expense recognized directly in other items of comprehensive income	(77)	38
Change in consolidated group	0	15
Currency translation adjustments	(13)	7
Net deferred tax assets and liabilities	**68**	**65**

Consolidated deferred tax income and expenses by category of temporary difference

(in millions of euros)	2017	2016
Property, plant and equipment, intangible assets and non-current financial assets	60	77
Working capital assets	34	25
Employee benefits	(43)	(64)
Provisions for restructuring	(21)	(1)
Tax-driven provisions	20	(30)
Provisions for end-of-lifecycle operations	0	(6)
Net loss carry-forwards and deferred taxes	16	213
Impairment of deferred taxes	39	(359)
Other temporary differences	(10)	49
net deferred tax income (expenses)	**94**	**(97)**

Breakdown of deferred taxes recognized in other comprehensive income (in equity)

(in millions of euros)	December 31, 2017			December 31, 2016		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
Actuarial gains and losses on employee benefits	(7)	(1)	(9)	(53)	(1)	(54)
Currency translation adjustments of consolidated companies	(197)	-	(197)	145	-	145
Change in value of available-for-sale financial assets	(26)	13	(14)	(162)	51	(111)
Change in value of net investment hedges		(7)	(7)			
Change in value of cash flow hedges	264	(81)	183	48	(12)	36
Share in comprehensive income of associates (net of income tax)	1	-	1	(10)		(10)
Total gains and (losses) in other comprehensive income after tax	**35**	**(77)**	**(42)**	**(33)**	**38**	**5**

Deferred tax assets not recognized

(in millions of euros)	**2017**	**2016**
Tax credits		
Tax losses	434	406
Other temporary differences	1,069	1,177
Total deferred tax assets not recognized	**1,503**	**1,583**

Note 9 – GOODWILL

(in millions of euros)	**December 31, 2016**	Increase	Disposals	Impairment	Currency translation adjustments and other	**December 31, 2017**
Mining	**913**				(109)	**805**
Front end	**161**				-	**161**
Back End	**228**				(2)	**227**
Total	**1,303**	**-**	**-**	**-**	**(110)**	**1,193**

Goodwill impairment tests

As indicated in Notes 1.2. “Estimates and judgments" and 1.3.4.5 "Impairment of property, plant and equipment, intangible assets and goodwill", the group performs impairment testing at least once a year. These tests consist of comparing the net carrying amount of the assets of cash generating units to which goodwill has been allocated (after inclusion of write-downs of property, plant and equipment and intangible assets listed in Notes 10 and 11) to their recoverable amount.

The discount rates used for impairment testing are based on the average cost of capital, and reflect current assumptions as regards the time value of money and the specific risk represented by the asset or CGU in question; they are determined on the basis of observed market data and evaluations prepared by specialized firms (10-year risk-free rate, equity market risk premium, volatility indices, credit spreads and debt ratios of comparable companies in each sector).

The following assumptions were used to determine the net present value of the cash flows to be generated by the CGUs:

December 31, 2017	Discount rate after tax	- Normative growth rate	Terminal year
Mining	7.50%-12.00%	n/a	n/a
Front end	6.70%	n/a	n/a
Back End	6.40%-6.70%	1.75%	2026

December 31, 2016	Discount rate after tax	Normative growth rate	Terminal year
Mining	7.50%-12.00%	n/a	n/a
Front end	6.70%	n/a	n/a
Back End	6.40%-6.70%	1.75%	2026

The exchange rates used to prepare impairment tests are the closing rates on the balance sheet date or the hedged rate when future cash flows are hedged.

Mining

The recoverable amount of the Mining CGU is determined based on the value in use. The value in use of mining operations is calculated based on forecast data for the entire period, up to the planned end of mining operations at existing mines and marketing of the corresponding products (i.e. until 2038), rather than on a base year. The value in use is determined by discounting estimated future cash flows per mine at rates between 7.50% and 12% (the same rates as at December 31, 2016) and using a euro/US dollar exchange rate of 1.20 at December 31, 2017 (1.05 at December 31, 2016).

Future cash flows have been determined using the projected price curve established and updated by Orano. The projected price curve is based among other things on Orano's vision of changes in uranium supply (uranium mines and secondary resources) and demand (reflecting the consumption of the global fleet of nuclear power plants over the length of the curve and the purchasing policy of the relevant utilities). The projected price curve was updated in October 2017 to take into account among other things the reduction in the French fleet, the anticipated shutdown of certain US reactors, and the slowdown and/or delay in new nuclear construction programs.

The result of this test was higher than the net carrying amount and therefore does not result in goodwill impairment.

The test remains sensitive to discount rates, to foreign exchange parity and to the anticipated future prices of uranium. The value in use of the assets of the Mining CGU would fall by the amounts below if any of the following assumptions were used:

- a discount rate of 50 basis points higher: 93 million euros;
- a euro/US dollar exchange rate of 5 eurocents higher (i.e. 1.25 instead of 1.20): 206 million euros;
- selling price assumption US$5 per pound of uranium below Orano's projected price curves over the entire period of the business plans: 344 million euros.

On this point, the sensitivity analysis was carried out without taking into account a revision of economically mineable uranium quantities or production schedules resulting from this price change.

However, taken separately, variations of this magnitude would not lead to impairment of the goodwill of the Mining CGU.

Front End and Back End

Impairment testing performed as of December 31, 2017 on the CGUs relating to the Front End and Back End activities did not result in the recognition of any impairment of goodwill.

For the Enrichment CGU, the test is very sensitive to the discount rate, to exchange rate parity, and to the long-term price expectations for separative work units (SWU). The value in use of the assets of the Enrichment CGU would fall by the amounts below if any of the following assumptions were used:

- a discount rate of 50 basis points higher: 240 million euros;
- a euro/US dollar exchange rate of 5 eurocents higher (i.e. 1.25 instead of 1.20): 150 million euros;
- selling price assumptions US$1 per SWU below Orano's projected price curves: 30 million euros.

Other than a reduction of less than US$1 in selling prices per SWU, these variations would result in partial impairment of the goodwill of the Enrichment CGU.

For the Back End, sensitivity analyses show that the use of a discount rate of 50 basis points higher or a growth rate for the base year of 1% lower than the above-mentioned rates would not have led to the recognition of impairment on goodwill, since its recoverable value remains greater than the net carrying amount of assets.

Note 10 – INTANGIBLE ASSETS

(in millions of euros)	Pre-mining expenses	R&D expenses	Mineral rights	Concessions & brevets	Software	Intangible assets in progress	Other	Total
Gross amount at December 31, 2016	**1,960**	**58**	**1,310**	**408**	**357**	**324**	**192**	**4,608**
CAPEX	34	11	0	0	0	18	0	64
Disposals	0	(3)	0	0	(5)	0	0	(8)
Currency translation adjustments	(136)	(1)	(150)	(3)	(1)	(38)	(5)	(334)
Change in consolidated group	0	0	0	1	7	1	0	9
Other changes	49	0	0	1	5	(18)	0	37
Gross amount at December 31, 2017	**1,907**	**65**	**1,160**	**407**	**363**	**287**	**187**	**4,376**
Depreciation and provisions at December 31, 2016	**(957)**	**(3)**	**(1,310)**	**(78)**	**(323)**	**(260)**	**(75)**	**(3,007)**
Net increase in depreciation / impairment (1)	(251)	(1)	0	(6)	(5)	(1)	(26)	(289)
Disposals	0	0	0	0	5	0	0	5
Currency translation adjustments	88	0	150	2	0	31	4	276
Change in consolidated group	0	0	0	(1)	(7)	0	0	(7)
Other changes	(3)	0	0	0	0	0	(12)	(14)
Depreciation and provisions at December 31, 2017	**(1,123)**	**(4)**	**(1,160)**	**(82)**	**(330)**	**(230)**	**(109)**	**(3,038)**
Net carrying amount December 31, 2016	**1,003**	**55**	**0**	**330**	**33**	**64**	**117**	**1,601**
Net carrying amount at December 31, 2017	**784**	**61**	**0**	**325**	**34**	**56**	**78**	**1,339**

(1) including 189 million euros of impairment of intangible assets as of December 31, 2017, including IMOURAREN and TREKKOPJE (see Note 11).

Note 11 – PROPERTY, PLANT AND EQUIPMENT

(in millions of euros)	Land	Buildings -	Plant, equipment and tooling	End of lifecycle assets – attributable to owners of the parent	Other	In progress	Total
Gross amount at December 31, 2016	**156**	**1,882**	**19,705**	**1,527**	**1,465**	**1,966**	**26,702**
CAPEX	0	3	31	0	6	394	433
Disposals	0	(7)	(60)	(56)	(55)	(27)	(205)
Currency translation adjustments	(3)	(24)	(74)	0	(94)	(13)	(209)
Change in consolidated group	0	0	(1)	0	(1)	0	(2)
Other changes	2	11	243	25	87	(327)	41
Gross amount at December 31, 2017	**155**	**1,865**	**19,844**	**1,497**	**1,408**	**1,992**	**26,761**
Depreciation and provisions at December 31, 2016	**(80)**	**(939)**	**(15,094)**	**(1,019)**	**(1,190)**	**(826)**	**(19,148)**
Net increase in depreciation / impairment (1)	(1)	(54)	(375)	(24)	(40)	(278)	(773)
Disposals	0	7	49	56	36	0	147
Currency translation adjustments	0	10	23	0	84	1	119
Change in consolidated group	0	0	1	0	1	0	2
Other changes	0	5	(2)	(1)	(27)	14	(11)
Depreciation and provisions at December 31, 2017	**(81)**	**(972)**	**(15,398)**	**(988)**	**(1,137)**	**(1,089)**	**(19,664)**
Net carrying amount December 31, 2016	**76**	**943**	**4,612**	**508**	**275**	**1,141**	**7,554**
Net carrying amount at December 31, 2017	**74**	**894**	**4,446**	**509**	**271**	**903**	**7,097**

(1) including impairment of property, plant and equipment in the amount of 304 million euros as of December 31, 2017, including IMOURAREN, TREKKOPJE and COMURHEX II.

MINING ASSETS IN NIGER - IMOURAREN

The Group holds 57.7% of the Imouraren mining asset, with the remaining 42.3% held by minority interests (the State of Niger, Sopamin, and Korea Imouraren Uranium Investment (KIU)).

The site has been in “care and maintenance” status since 2015. The project will restart when uranium market conditions permit. Discussions are in progress with the State of Niger to sign an amendment to the strategic partnership agreement of May 26, 2014.
An impairment loss of 316 million euros was recognized at December 31, 2016.

As indicated in Note 9, Orano’s projected price curve was updated in October 2017. The deterioration of conditions in the uranium market, as reflected in this new price curve, has led the company to reassess the value of fixed assets in the Imouraren project. As in the case of the analysis carried out in 2015 in the “care and maintenance” phase of the site, the company identified the tangible and intangible assets for which it no longer expects future economic benefits from their use or sale due to the current market outlook, and recognized an impairment of certain project assets in the amount of 275 million euros during the period.

Following this analysis, the carrying amount of the Imouraren project's non-current assets amounted to 69 million euros at December 31, 2017 (compared with 348 million euros at December 31, 2016).

Moreover, the net carrying amount of assets as of December 31, 2017 does not exceed the potential resale value of the reserves and resources of the deposit, calculated as a multiple of uranium resources in the ground.

Accumulated impairment losses on the Imouraren assets is reflected in a debit balance of 419 million euros for non-controlling interests as of December 31, 2017. Imouraren SA and the company that controls it had negative net positions as of December 31, 2017.

MINING ASSETS IN NAMIBIA - TREKKOPJE

The carrying amount of intangible assets and property, plant and equipment in Namibia includes the mining infrastructure and the desalination plant. However, the value in use of the desalination plant was tested separately from that of the mining infrastructure.

The desalination plant's value in use was justified based on an updated business plan using a discount rate of 8.50% (unchanged from December 31, 2016).

Impairment in the amount of 10 million euros was recorded on the carrying amount of intangible assets and property, plant and equipment of the mine at December 31, 2016, and additional impairment of 23 million euros was recorded at December 31, 2017 based on their fair value, determined from a multiple of uranium resources in the ground.

After recognition of impairment of the mining assets, the total carrying amount of Trekkopje's property, plant and equipment and intangible assets was 197 million euros (compared with 250 million euros at December 31, 2016).

Comurhex II plant

Impairment testing shows that the value in use of property, plant and equipment under construction, measured as of December 31, 2017 using a discount rate of 6.70% (unchanged vs. December 31, 2016), a euro-US dollar exchange rate of 1.20 corresponding to the closing rate on December 31, 2017 (vs. 1.05 as of December 31, 2016) and conversion unit selling price assumptions resulting from Orano's analysis of medium- to long-term supply and demand trends, is inconsistent with their carrying amounts as of December 31, 2017. Value in use, mainly under the combined effects of the exchange rate and a downward revision of selling price assumptions, was 134 million euros, resulting in further impairment of 172 million euros recorded in the financial statements as of December 31, 2017.

The result of the impairment test remains sensitive to the assumptions used, in particular the discount rate, the euro/U.S. dollar exchange rate, long-term sales prices and volumes sold.

The value in use of the property, plant and equipment under construction would fall by the amounts below if any of the following assumptions were used:

- a discount rate of 50 basis points higher: 38 million euros;
- a euro/US dollar exchange rate of 5 eurocents higher (i.e. 1.25 instead of 1.20): 69 million euros;
- selling price assumptions US$1 per conversion unit below Orano's projected price curves: 80 million euros.

GEORGES BESSE II PLANT

In view of the deterioration of market indicators, impairment testing of property, plant and equipment relating to the Georges Besse II plant was performed using a discount rate of 6.70% (unchanged vs. December 31, 2016), a euro/US dollar exchange rate of 1.20 corresponding to the closing rate on December 31, 2017 and SWU selling price assumptions resulting from Orano's analysis of medium- to long-term supply and demand trends. On that basis, no impairment was recognized at December 31, 2017.

Sensitivity analysis performed on the same parameters as for the Enrichment CGU does not point to potential impairment, but shows that the test is very sensitive to discount rate, exchange rate and long-term selling price assumptions.

Note 12 – END-OF-LIFECYCLE OPERATIONS

PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS

(in millions of euros)	Net carrying amount December 31, 2016	Reversal (when risk has materialized)	Acc-retion	Change in assumptions, revised budgets, etc.	Net carrying amount at December 31, 2017
Provisions for end-of-lifecycle operations (legal*)	7,100	(186)	256	106	7,276
Provisions for end-of-lifecycle operations (other than legal*)	241	(3)	9	22	269
PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS	**7,341**	**(189)**	**265**	**128**	**7,545**

(*) scope of application of the Act of June 28, 2006

Reversals of used provisions in the amount of (189) million euros at December 31, 2017 correspond to the expenses of the group. Changes in assumptions, revisions to estimates and other changes include third-party expenses in the amount of (24) million euros.

The main change in assumptions resulted from an 80 million euro increase as a contingency for risks and uncertainties related to the dismantling of facilities in the front end of the cycle and waste retrieval and packaging. This increase adds to the provision due to uncertainties (within the meaning of Article 2 of Decree no. 2007-243 of February 23, 2007 relating to securing the funding of nuclear expenses). It is part of the action plan launched by Orano after receiving a letter from the administrative authority. The actions set out in this plan in respect of the management of uncertainties, risks and unknown elements had all been carried out by the end of 2017.

Other changes in assumptions as regards legal provisions include the transfer of a provision from the legal scope to the other-than-legal scope in the amount of 26 million euros.

Nature of the commitments

As a nuclear facility operator, the group has a legal obligation to secure and dismantle its production facilities when they are shut down in whole or in part on a permanent basis. It must also retrieve and package, in accordance with prevailing standards, the various waste generated by operating activities that could not be processed during treatment. These installations concern the front end of the cycle (especially the Pierrelatte site) and the back end of the cycle (including the treatment plants at La Hague and the MELOX and Cadarache MOX fuel fabrication plants).

In December 2004, the CEA, EDF and Orano Cycle signed an agreement concerning the Marcoule facility, which transfers the responsibilities of site owner-operator to the CEA, which will be responsible for funding the site cleanup. This agreement does not cover final disposal costs for long-lived high- and medium-level waste. Accordingly, provisions for the Marcoule site only cover Orano's share of waste shipping and final waste disposal costs.

Determination of provisions for end-of-lifecycle operations

In accordance with the article 20 of the French program law no. 2006-739 of June 28, 2006 on the sustainable management of radioactive materials and waste, codified in articles L. 594-1 *et seq.* of the French Environmental Code, Orano submits a report to the administrative authority every three years on cost estimates and calculation methods for provisions, in addition to an annual update of this report. These documents detail the methods used by Orano to measure the cost of end-of-lifecycle operations and the expenses relating to the removal and storage of radioactive waste.

Uncertainties and opportunities

In view of the duration of the end-of-lifecycle commitments, the uncertainties and opportunities cited as examples below are taken into account when they occur:

- Uncertainties:
  - revision of scenarios of certain waste retrieval and packaging projects at La Hague during the qualification of waste retrieval processes,
  - differences between the expected initial conditions of the legacy facilities and the actual initial conditions (presence of asbestos, for example),
  - uncertainties related to changes in the nuclear safety authority's requirements (e.g. for final conditions and soil treatment) and to changes in generally applicable regulations.

- Opportunities:
  - gains generated by the learning curve and industrial standardization of operating procedures,
  - in-depth investigations on the condition of the facilities using new technologies in order to reduce the uncertainty related to initial facility conditions.

Consideration of identified risks and unforeseen events

The technical cost of end-of-lifecycle operations is backed up by consideration of:
- a baseline scenario that takes operating experience into account;
- a margin for risks identified through risk analyses conducted in accordance with the Orano standard and updated regularly as the projects advance;
- a margin for unforeseen events designed to cover unidentified risks.

The discount rate (see principles laid out in Note 1.3.11)

For the facilities located in France, Orano has assumed a long-term inflation rate of 1.65% and a discount rate of 4.10% as of December 31, 2017, the same assumptions as those used a year earlier.

At December 31, 2017, the use of a discount rate 25 basis points higher or lower than the rate used (4.10%) would have the effect of changing the value of provisions for end-of-lifecycle operations by -357 million euros with a rate of +25 bps or +392 million euros with a rate of -25 bps respectively.

Final waste removal and disposal

Orano sets aside a provision for expenses related to radioactive waste in its possession.
These expenses include:
- the removal and near-surface disposal of short-lived, very low-level and low-level waste and its share of monitoring of Andra's Centre de la Manche and Centre de l'Aube disposal facilities, which received or still receive its waste;
- the removal and underground disposal of long-lived low-level waste (graphite);
- the removal and disposal of long-lived medium- and high-level waste covered by the French law of December 30, 1991 (now codified in articles L. 542-1 *et seq.* of the French Environmental Code). The provision is based on the assumption that a deep geologic repository will be deployed (hereinafter called Cigéo).

The Ministerial Decree of January 15, 2016 set at 25 billion euros the cost related to the implementation of CIGEO (impact recorded in the 2015 financial statements).

On January 15, 2018, the ASN issued its opinion on the CIGEO safety options file, finding that the project had reached satisfactory overall technological maturity at the safety options file stage and requesting additional elements of demonstration regarding the bituminous waste safety options.

For sensitivity analysis purposes, an increase of 1 billion euros in the amount of the CIGEO project estimate before discounting would result in an additional expense in a present value of approximately 30 million euros for Orano, based on the methodology used to establish the existing provision.

Tentative schedule of provision disbursements

The following table shows the forward payment schedule of provisions both within and outside the scope of the law of June 28, 2006, excluding Andra's monitoring costs:

(in millions of euros)	December 31, 2017
2018	361
2019-2021	1,235
2022-2026	1,701
2027-2036	1,822
2037 and beyond	8,651
TOTAL PROVISIONS BEFORE DISCOUNTING	**13,770**

The amounts represent the future disbursement of provisions expressed before discounting and aligned with the economic conditions prevailing in 2017.

Provisions for an end-of-lifecycle operations face two items:
- end-of-lifecycle assets;
- financial assets earmarked for end-of-lifecycle operations.

END-OF-LIFECYCLE ASSETS

End-of-lifecycle assets include two items:
- the group's share of assets classified under property, plant and equipment on the statement of financial position (see Note 11);
- third-party share of assets described in this note.

(in millions of euros)	**Net carrying amount at December 31, 2016**	**Reduction relating to expenses for the period**	**Acc-retion**	**Change in assumptions, revised budgets, etc.**	**Net carrying amount at December 31, 2017**
TOTAL THIRD-PARTY SHARE	**127**	**(24)**	**6**	**45**	**153**

The third-party share remaining in the end-of-lifecycle assets corresponds to the funding expected mainly from CEA for the Pierrelatte site. In 2017, this line changed for the following reasons:
- an increase related to the discounting expense;
- reduction due to work performed during the period;
- changes in assumptions identified on liabilities in proportion to the third-party share.

In 2017, changes in assumptions mainly reflect those identified in the legal provisions covering installations funded by the CEA.

The discount rate used for the "third-party share" assets is identical to that used to calculate provisions for end-of-lifecycle operations (see principles set out in Note 1.3.11).

FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS

This heading consists of the following:

(in millions of euros)	December 31, 2017	December 31, 2016
Receivables related to end-of-lifecycle operations	744	779
Portfolio of earmarked securities	6,368	5,310
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**7,112**	**6,089**

Receivables related to end-of-lifecycle operations correspond mainly to claims on the CEA resulting from the December 2004 agreement (amended in 2015 as described below) bearing on the assumption by the CEA of a share of the cost of dismantling facilities in the La Hague and Cadarache plants and a share of waste retrieval and packaging costs at the UP2 400 plant.

Objective of hedging assets, portfolio of earmarked securities and end-of-lifecycle receivables

To meet its end-of-lifecycle obligations, the group built up a special portfolio earmarked for the payment of its future facility dismantling and waste management expenses. This obligation has applied to all nuclear operators in France since the Law no. 2006-739 of June 28, 2006 and the implementing decree no. 2007-243 of February 23, 2007 came into force. This portfolio was composed based on a schedule of disbursements over more than a century and is therefore managed with long-term objectives. The portfolio is comprised of financial assets covering all of the group's commitments, whether related to obligations imposed by the Law of June 28, 2006 for regulated nuclear facilities located in France, or related to other end-of-lifecycle commitments for facilities located in France or abroad.
The group relies on independent consultants to study strategic target asset allocations to optimize the risk/return of the portfolio over the long term and to advise it on the choice of asset classes and portfolio managers. These recommendations are submitted to the Cleanup and Dismantling Fund Monitoring Committee of the Board of Directors. Long-term asset allocations indicate the target percentage of assets to cover liabilities (bonds and money market assets, including receivables from third parties) and diversification assets (shares, etc.), subject to limits imposed by decree no. 2007-243 of February 23, 2007 and its amendment by decree no. 2013-678 of July 24, 2013, both in terms of the control and spread of risks and in terms of the type of investments.

As of December 31, 2017, for the end-of-lifecycle obligations falling within the scope of Articles L. 594-1 *et seq*. of the French Environmental Code, the legal entities comprising Orano had assets representing 101% of end-of-lifecycle liabilities. In December, an accumulated contribution of 812 million euros was made to the dismantling funds of the legal entities comprising Orano.

Orano has ensured that all Orano Cycle funds are held, registered and valued by a single service provider capable of performing the necessary control and valuation procedures independently, as required by the implementing decree.

The Equity segment is primarily managed by external service providers via:

- an equity management agreement; and
- earmarked investment funds.

The Rate segment (bonds and money market) is invested via:

- open-ended mutual funds,
- earmarked investment funds, and
- directly held bonds.

The portfolio of assets earmarked to fund end-of-lifecycle expenses includes the following:

(in millions of euros)	December 31, 2017	December 31, 2016
In market value or liquidation value		
Publicly traded shares	1,079	1,098
Equity investment funds	1,530	1,197
Bond and money market mutual funds	3,127	2,342
Unlisted mutual funds	139	112
At amortized cost		
Bonds and bond mutual funds held to maturity	492	561
Portfolio of securities earmarked for end-of-lifecycle operations	**6,368**	**5,310**
Receivables related to end-of-lifecycle operations	744	779
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**7,112**	**6,089**

(in millions of euros)	December 31, 2017	December 31, 2016
By region		
Eurozone	6,562	5,536
Non-euro Europe	365	471
Other	184	82
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**7,112**	**6,089**

Financial assets held as securities or mutual funds represent 90% of all earmarked assets at December 31, 2017. They are classified as follows: 39% equity, 51% bonds and money-market instruments and 10% receivables.

The contractual framework for the main receivable related to end-of-lifecycle operations (receivable from the CEA in the amount of 670 million euros at December 31, 2017) was amended in 2015 in order to define a payment schedule by the CEA for the principal and interest, with the last payment scheduled for 2024.

In addition, claims on the CEA and EDF relating to the overfunding assumed by Orano in connection with tax payments relating to financing provided to ANDRA between 1983 and 1999 were the subject of talks with the two operators in 2015. The CEA confirmed to Orano that it had recognized a liability equal to the amount of the receivable recognized by Orano, i.e. 16 million euros, in its 2016 financial statements. In addition, 11 million euros for advance payments due from a third party were recorded as of December 31, 2017.

Performance of financial assets earmarked for end-of-lifecycle operations by asset class(*)

Asset class	December 31, 2017	December 31, 2016
Shares	+12.4%	+1.4%
Rate products (including receivables related to end-of-lifecycle operations)	+2.0%	+3.2%
TOTAL FINANCIAL ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS	**+6.1%**	**+2.4%**

(*) The performance shown for these asset classes only covers the portion of assets earmarked for end-of-lifecycle operations of regulated nuclear facilities subject to the French law of June 28, 2006.

Risk description and assessment

Equity investments in the portfolio of earmarked securities include mainly:

- a mandate of publicly-traded shares, which includes about thirty companies based in the European Union. The securities are held in order to generate gains over the long term. Although it is not a management guideline, the mandate will be assessed over the long term by reference to the MSCI EMU index, net dividends reinvested. The nature of the long-term mandate is not compatible with an evaluation against a benchmark;
- dedicated equity funds with diversified management strategies centered on European securities. The managers must follow strict exposure rules, depending on the objectives of the fund involved: including limits on the amounts invested in certain stocks or as a percentage of the net value of the portfolio, limits on exposures in currencies other than the euro, tracking error (relative risk compared with the benchmark), and limits on exposures to certain types of instruments. Together, these limits are designed to comply with investment rules established in the implementing decree of the Law of June 28, 2006.

For securities held by Orano Cycle, fixed income products in the portfolio of earmarked securities mainly include:

- directly held securities consisting of government bonds from the Eurozone, which will be held to maturity. They are recognized at amortized cost under "securities held to maturity";
- dedicated bond funds and open-ended money market funds. The sensitivity to interest rates of bond funds is limited in both directions, including the portfolio's overall consistency with preset long-term sensitivity objectives and the sensitivity of the liabilities to the discount rate used. The issuers' ratings (Moody's or Standard & Poor's) are used to manage the credit risk exposure of money market and bond funds.

Valuation

The investment funds' net asset value is determined by valuing the securities held by each fund at market value on the last day of the period.

Derivatives

Derivatives may be used for hedging or to acquire a limited exposure. They are subject to specific investment guidelines prohibiting leverage. Total nominal commitments may not exceed the fund's net assets. Sales of puts and calls must be fully covered by underlying assets (and are prohibited on assets not included in the portfolio).

Risk assessment and management of the earmarked portfolio

The risks underlying the portfolios and funds holding assets under the management mandate for end-of-lifecycle operations are assessed every month. For each fund or earmarked asset, this assessment allows the maximum total loss to be estimated with a 95% level of confidence for different portfolio maturities using the VaR (Value at Risk) method and volatility estimates. A second estimate is made using deterministic scenarios: yield curve shock and/or fall in equity markets.

The impacts of changes in equity markets and interest rates on the valuation of financial assets earmarked are summarized in the following table:

Base case (December 31, 2017)	
(in millions of euros)	
Assumption: declining equity markets and rising interest rates	
-10% on equities	(275)
+100 basis points on rates	(69)
TOTAL	**(344)**
Assumption: rising equity markets and declining interest rates	
+10% on equities	+275
-100 basis points on rates	+69
TOTAL	**+344**

Note 13 – INFORMATION ON JOINT VENTURES AND ASSOCIATES

ASSETS

As of December 31, 2017, securities of joint ventures consisted mainly of Cominak in the amount of 10 million euros (compared with 17 million euros as of December 31, 2016).

LIABILITIES

The share of losses of joint ventures as of December 31, 2017 breaks down as follows:

- ETC in the amount of 52 million euros (compared with 63 million euros at December 31, 2016);
- 5 million euros for SI-nerGIE.

NET INCOME

The share of income of the main joint ventures as of December 31, 2017 breaks down as follows:

- (8) million euros for Cominak (versus 4 million euros in 2016);
- 10 million euros for ETC (versus 6 million euros in 2016);
- SI-nerGIE in the amount of (7) millions euros (creation in 2017, see Note 2).

Financial information required under IFRS 12 is presented before eliminations of intercompany transactions and restatements, and is based on 100% ownership.

A joint venture is considered to be significant if its revenue or balance sheet total is more than 200 million euros. An associate is considered to be significant when its balance sheet total is more than 200 million euros. There were no joint ventures or associates meeting the thresholds mentioned above as of December 31, 2017.

Note 14 – OTHER CURRENT AND NON-CURRENT ASSETS

(in millions of euros)	December 31, 2017	December 31, 2016
Available-for-sale securities	6	45
Derivatives on financing activities	52	49
Other	56	41
Total other non-current assets	**114**	**135**
Derivatives on financing activities	9	2
Pledged bank accounts	58	-
Total other current financial assets	**67**	**2**

Other non-current assets include inventories of uranium capitalized to finance future expenditure for the redevelopment of mining sites internationally in the amount of 30 million euros as of December 31, 2017 (compared with 23 million euros as of December 31, 2016).

As of December 31, 2017, pledged bank accounts consist of bank deposits constituted in respect of contractual obligations related to the syndicated loan backed by certain future revenues of the Georges Besse II enrichment plant ("collateral").

Note 15 – INVENTORIES AND WORK IN PROCESS

(in millions of euros)	December 31, 2017	December 31, 2016
Raw materials and other supplies	368	314
Goods in process	65	57
Services in process	1,100	962
Finished goods	179	365
Total gross amount	**1,712**	**1,697**
Provisions for impairment	(396)	(436)
Total net carrying amount	**1,316**	**1,261**
Inventories and work-in-process		
at cost	1,240	1,034
at fair value net of disposal expenses	76	227
	1,316	**1,261**

Eurodif SA's inventories of separative work units (SWU) impaired on the basis of the market price at the end of 2016 were set aside to cover long-term contracts in the backlog, resulting in a revision of the associated impairment at the end of 2017.

Note 16 – TRADE ACCOUNTS RECEIVABLE AND RELATED ACCOUNTS

(in millions of euros)	December 31, 2017	December 31, 2016
Gross amount	819	844
Impairment	(3)	(4)
Net carrying amount	**816**	**841**

At December 31, 2017, trade accounts receivable and related accounts include receivables in the amount of 110 million euros on contracts recognized according to the percentage of completion method (compared with 102 million euros at December 31, 2016).

At December 31, 2017, the gross value of trade accounts receivable and related accounts (excluding contracts recognized using the percentage of completion method) does not include receivables maturing in more than one year.

Trade accounts receivable and related accounts (gross)*

(in millions of euros)	Gross amount	Maturing in the future	Impaired and past due	of which: not impaired and past due					
				Less than 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	More than 1 year
December 31, 2017	**709**	607	3	20	28	4	3	15	29
December 31, 2016	**742**	672	3	18	10	6	4	5	25

* excluding accounts receivable on contracts recognized according to the percentage of completion method

Note 17 - OTHER OPERATING RECEIVABLES

(in millions of euros)	December 31, 2017	December 31, 2016
French State	306	261
Advances and down payments to suppliers	35	32
Miscellaneous accounts receivable	302	315
Financial instruments	142	45
Other	5	7
Other operating receivables	**791**	**661**

“Miscellaneous accounts receivable” includes prepaid expenses, receivables from suppliers and receivables from employees and benefit management bodies.

“Financial instruments” include the fair value of derivatives hedging market transactions and the fair value of the firm commitments hedged.

Other operating receivables include 3 million euros in receivables maturing in more than one year.

Note 18 – CASH AND CASH EQUIVALENTS

(in millions of euros)	December 31, 2017	December 31, 2016
Cash and current accounts	740	1,403
Cash equivalents	1,210	30
Total	**1,950**	**1,434**

Based on the statement of cash flows, change in cash and cash equivalents of 516 million euros reflects the following items:

- operating activities in the amount of 312 million euros;
- investing activities in the amount of (1,305) million euros, of which (812) million euros for asset dismantling (see Note 12);
- financing activities in the amount of 1,506 million euros, including funds related to the 2.5 billion euro capital increase reserved for the French State (see Notes 1.1 and 19) and the redemption of a bond in the amount of (800) million euros on October 5, 2017 (see Note 23).

As of December 31, 2017, cash not available to the group amounted to 57 million euros (compared with 67 million euros as of December 31, 2016), chiefly reflecting regulatory restrictions in the amount of 54 million euros and legal restrictions in international markets in the amount of 4 million euros.

Note 19 - EQUITY

Capital

As of December 31, 2017, Orano SA's share capital broke down as follows:

	December 31, 2017
French State	50.16%
AREVA SA	44.44%
CEA	5.4%
Total	**100%**

Stock option plan

There is no stock option plan.

Other transactions with shareholders

Transactions with shareholders at December 31, 2017 mainly reflected the 2.5 billion euro capital increase of new AREVA Holding subscribed by the French State (see Note 1.1). In addition, Orano acquired part of non-controlling interests in Eurodif (see Note 2).

In 2016, AREVA SA reduced the company's share capital by reducing the nominal value of the shares and then increasing the company's capital by increasing the number of shares, with a net impact of (195) million euros in equity.
Orano also acquired part of the non-controlling interests of SET Holding and Eurodif (see Note 2), with a negative impact of (121) million euros on equity.

Transactions with companies under joint control

Transactions with companies under joint control amounted to (85) million euros at December 31, 2017. They were attributable chiefly to the acquisition of Orano Projets for 64 million euros and were recorded on the basis of historical carrying amounts as recorded in AREVA's consolidated financial statements.

In 2016, transactions with companies under joint control, amounted to (2,094) million euros, and mainly reflected Orano's financial restructuring (see basis of preparation) following AREVA SA's contributions to New AREVA Holding on November 10, 2016 in the amount of (2,137) million euros.

Note 20 - MINORITY INTERESTS

(in millions of euros)	**December 31, 2017**	**December 31, 2016**
Katco	93	109
SET and SET Holding	87	82
Somaïr	57	68
Imouraren (*)	(412)	(285)
Other	(17)	(13)
Total	**(192)**	**(40)**

(*) Imouraren is held by Orano Expansion, which is in turn held by CFMM.

Orano believes it has an implicit obligation to ensure the business continuity of Eurodif and its subsidiaries; consequently, Orano recognizes all of these companies' losses and negative net equity in "net income attributable to owners of the parent" and in "equity attributable to owners of the parent".

Financial information on significant subsidiaries, required under IFRS 12, is presented before elimination of intercompany transactions.
A subsidiary is considered significant if its revenue is greater than 200 million euros, if its total balance sheet is greater than 200 million euros or if its net assets exceed 200 million euros in absolute value.

December 31, 2017

(in millions of euros)	**Imouraren**	**Somaïr**	**Katco**	**SET**	**STMI**
	Mining	Mining	Mining	Front end	D&S
Country	Niger	Niger	Kazakhstan	France	France
Minority interests	(*)	36.60%	49.00%	5.00%	26.14%
Revenue	**-**	**154**	**178**	**642**	**260**
EBITDA	**(1)**	**31**	**104**	**446**	**26**
Net income	**(1,127)**	**(41)**	**52**	**66**	**21**
Share attributable to minority interests	(234)	(15)	25	3	6
Current assets	10	141	98	664	156
Non-current assets	114	154	157	5,213	25
Current liabilities	(25)	(88)	(36)	(919)	(116)
Non-current liabilities	(2,070)	(57)	(21)	(3,121)	(19)
Net assets	**(1,971)**	**151**	**198**	**1,836**	**46**
Share attributable to minority interests	(547)	55	97	92	12
Cash flow from operating activities	(47)	19	60	291	7
Cash flow from investing activities	6	(24)	(31)	(75)	(2)
Cash flow from financing activities	47	-	(59)	(206)	(7)
Increase (decrease) in net cash	**6**	**(5)**	**(33)**	**10**	**13**
Dividends paid to minority interests	-	-	(20)	(1)	(2)

(*) Imouraren is held directly by Orano Expansion, whose purpose is to finance its subsidiary. The data presented for Imouraren and Orano Expansion are aggregated. The share of non-controlling interests in Imouraren is 42.34%; it is 13.49% in Orano Expansion.

December 31, 2016

(in millions of euros)	**Imouraren**	**Somaïr**	**Katco**	**SET**
	Mining	Mining	Mining	Front end
Country	Niger	Niger	Kazakhstan	France
Minority interests	(*)	36.60%	49.00%	5.00%
Revenue	**-**	**151**	**228**	**651**
EBITDA	**(8)**	**55**	**171**	**428**
Net income	**(616)**	**6**	**92**	**85**
Share attributable to minority interests	(190)	2	45	4
Current assets	12	139	102	526
Non-current assets	1,376	156	191	5,418
Current liabilities	(223)	(65)	(33)	(778)
Non-current liabilities	(2,009)	(35)	(25)	(3,392)
Net assets	**(844)**	**195**	**235**	**1,773**
Share attributable to minority interests	(312)	71	115	89
Cash flow from operating activities	(54)	35	174	262
Cash flow from investing activities	4	(25)	(39)	(43)
Cash flow from financing activities	45	(7)	(218)	(194)
Increase (decrease) in net cash	**(5)**	**3**	**(1)**	**25**
Dividends paid to minority interests	-	-	(106)	(2)

(*) Imouraren is held directly by Orano Expansion, whose purpose is to finance its subsidiary. The data presented for Imouraren and Orano Expansion are aggregated. The share of non-controlling interests in Imouraren is 42.34%; it is 13.49% in Orano Expansion.

Note 21 – EMPLOYEE BENEFITS

Depending on the prevailing laws and practices of each country, the group's companies make severance payments to their retiring employees. Long-service awards and early retirement pensions are paid, while supplementary pensions contractually guarantee a given level of income to certain employees. Some of the group's companies also grant other post-retirement benefits, such as the reimbursement of medical expenses.

The group calls on independent actuaries for a valuation of its commitments each year.

The difference between the commitment and the fair value of the covering assets is either a funding surplus or a deficit. A provision is recognized in the event of a deficit, and an asset is recognized in the event of a surplus, subject to specific conditions.

In some companies, these commitments are covered in whole or in part by contracts with insurance companies or pension funds. In such cases, the obligations and the covering assets are valued independently.

The group's key benefits

The "CAFC plan" set up in 2012 is an early retirement plan consisting of a working time account with matching contributions from the employer for personnel who work at night or in certain jobs identified in the agreement. The system is partially covered by an insurance policy.

The group's second most material early retirement system (called "TB6") is also located in France. The beneficiaries are employees who work at night or in certain types of jobs identified in the agreement.

Medical coverage partially funded by the employer for former employees during the retirement period is still in effect in some companies in France.

PROVISIONS RECOGNIZED ON THE BALANCE SHEET

(in millions of euros)	**December 31, 2017**	**December 31, 2016**
TOTAL PROVISIONS FOR PENSION OBLIGATIONS AND OTHER EMPLOYEE BENEFITS	**1,382**	**1,402**
Medical expenses and accident/disability insurance	332	337
Retirement benefits	314	305
Job-related awards	7	7
Early retirement benefits	721	752
Supplemental retirement benefits	7	1

By region

(in millions of euros)	Eurozone	Other	**TOTAL**
Medical expenses and accident/disability insurance	330	2	332
Retirement benefits	314	-	314
Job-related awards	7	-	7
Early retirement benefits	711	10	721
Supplemental retirement benefits	4	3	7
Total	**1,366**	**15**	**1,382**

ACTUARIAL ASSUMPTIONS

Key actuarial assumptions used for valuation purposes

	2017	**2016**
Long-term inflation		
- Eurozone	1.5%	1.5%
Discount rate		
- Eurozone	1.5%	1.5%
Pension benefit increases		
- Eurozone	1.5%	1.5%
Social security ceiling increase (net of inflation)	+0.5%	+0.5%

Mortality tables

	2017	**2016**
France		
- Annuities	Mortality tables	Mortality tables
- Lump sum payments	INSEE 2000-2002 Men/Women	INSEE 2000-2002 Men/Women

Retirement age in France

	2017	2016
Management personnel	65	65
Non-management personnel	62	62

Average attrition is assumed to occur among employees **in each company** at a declining rate reflecting age brackets. The rates in brackets indicate [average turnover at career start - average turnover at career end].

	Management personnel		Non-management personnel	
	2017	**2016**	**2017**	**2016**
France	[1.6%-0%]	[1.6%-0%]	[0.7%-0%]	[0.7%-0%]

Assumed rate of salary increase, including inflation. The rates in brackets indicate [average increases at career start - average increases at career end].

	Management personnel		Non-management personnel	
	2017	**2016**	**2017**	**2016**
France	[2.6%; -1.1%]	[2.6%; -1.1%]	[2.6%; -1.1%]	[2.6%; -1.1%]

FINANCIAL ASSETS

At December 31, 2017, financial assets consisted 90% of bonds (compared with 88% at December 31, 2016) and 10% of other monetary instruments (compared with 12% at December 31, 2016).

Effective return on plan assets

	2017	2016
Europe	0.72%	2.11%

NET AMOUNT RECOGNIZED

December 31, 2017 *(in millions of euros)*	**Medical expenses and accident/disability insurance**	**Retirement benefits**	**Job-related awards**	**Early retirement benefits**	**Supplemental retirement benefits**	**Total**
Defined benefit obligation	332	315	7	802	51	**1,506**
Fair value of plan assets	-	1	-	81	44	**125**
Total defined benefit obligation	**332**	**314**	**7**	**721**	**7**	**1,382**

Sensitivity of the actuarial value to changes in discount rate
An across-the-board decrease in the discount rate of 0.50% would increase the defined benefit obligation by 6%.

BREAKDOWN OF THE EXPENSE FOR THE PERIOD

December 31, 2017 *(in millions of euros)*	**Medical expenses and accident/disability insurance**	**Retirement benefits**	**Job-related awards**	**Early retirement benefits**	**Supplemental retirement benefits**	**Total**
Current service cost	7	15	0	18	-	41
Interest cost	5	5	0	12	1	23
Past service costs (including plan changes and reductions)	(5)	(1)	-	-	-	(6)
Interest income on assets	-	-	-	(1)	(1)	(2)
Recognition of actuarial gains and losses generated during the year on other long-term plans (long service medals, CATS, etc.)	-	-	(1)	-	-	(1)
TOTAL expense with statement of income impact	**7**	**19**	**0**	**29**	**0**	**56**
Actual yield on assets net of expected yield	-	1	-	4	2	7
Experience differences	(7)	7	-	2	-	2
Demographic assumption differences	(1)	(1)	-	0	-	(2)
Financial assumption differences (adjustment of discount rate)	0	-	0	0	0	(1)
TOTAL expense with impact on other comprehensive income items	**(8)**	**7**	**0**	**4**	**2**	**6**
Total expense for the period	**(1)**	**26**	**0**	**33**	**2**	**62**

CHANGE IN THE DEFINED BENEFIT OBLIGATION

(in millions of euros)	**Medical expenses and accident/disability insurance**	**Retirement benefits**	**Job-related awards**	**Early retirement benefits**	**Supplemental retirement benefits**	**Total**
Defined benefit obligation at December 31, 2016	**337**	**308**	**7**	**849**	**35**	**1,536**
Current service cost	7	15	-	18	-	**41**
Past service costs (including plan changes and reductions)	(5)	(1)	-	-	-	**(6)**
Disposals / Liquidation / Plan reductions	-	-	-	-	-	**-**
Cost escalation	5	5	-	12	1	**23**
Benefits paid during the year	(6)	(33)	-	(79)	(4)	**(122)**
Employee contributions	-	-	-	-	-	**-**
Mergers, acquisitions, transfers	2	14	1	-	19	**37**
Plan transfer	-	-	-	-	-	**-**
Actuarial differences	(8)	6	(1)	2	-	**(1)**
Currency translation adjustments	0	0	0	0	-	**(1)**
Defined benefit obligation at December 31, 2017	**332**	**315**	**7**	**802**	**51**	**1,506**

CHANGES IN PLAN ASSETS

(in millions of euros)	
Value at December 31, 2016	**134**
Interest income on assets	2
Benefits paid by earmarked assets	(18)
Effect of mergers/acquisitions/transfers between entities	14
Actual yield on assets net of expected yield	(7)
Value at December 31, 2017	**125**

CHANGE IN THE PROVISION ESTIMATED BY THE GROUP'S ACTUARIES

(in millions of euros)	
Balance at December 31, 2016	**1,402**
Total expense	62
Contributions collected/benefits paid	(105)
Change in method	-
Change in consolidated group	23
Reclassification	-
Currency translation adjustment	(1)
Balance at December 31, 2017	**1,382**

Note 22 – OTHER PROVISIONS

(in millions of euros)	December 31, 2016	Charges	Reversal (when risk has materialized)	Reversal (when risk has not materialized)	Other changes(*)	December 31, 2017
Restoration of mining sites and decommissioning of treatment facilities	254	4	(11)	-	23	270
Non-current provisions	**254**	**4**	**(11)**	**-**	**23**	**270**
Restructuring and layoff plans	169	42	(100)	(0)	15	126
Provisions for losses at completion	106	59	(3)	(61)	(0)	100
Accrued costs	1,168	89	(63)	(7)	35	1,223
Other provisions	289	64	(34)	(46)	8	281
Current provisions	**1,733**	**254**	**(200)**	**(115)**	**57**	**1,730**
Total provisions	**1,987**	**258**	**(211)**	**(115)**	**80**	**2,000**

(*) including 58 million euros of unwinding

PROVISIONS FOR LOSSES AT COMPLETION

Conversion contracts

Following the signing of new conversion service contracts negotiated in 2017, Orano recorded an additional 47 million euros in provisions for losses at completion, net of reversals, based on estimated short- and medium-term conversion price trends.

Enrichment contracts

In 2017, a reversal of provisions for losses at completion of 58 million euros was recorded, taking into account a downward revision of the weighted average cost of delivering SWUs compared with 2016.
The weighted average cost calculated at the end of 2016 to test SWU sales contracts were based, among other things, on SWU supply assumptions over a period running until 2030. In 2017, the signing of a firm SWU supply contract at a purchase price significantly below the estimate used at the close of 2016 led to a downward revision of the weighted average cost of inventories, thereby reducing losses at completion by 58 million euros.

PROVISIONS FOR CONTRACT COMPLETION

As of December 31, 2017, these provisions represent ancillary services yet to be rendered (waste treatment and storage) in the Front End and Back End activities.

OTHER CURRENT PROVISIONS

As of December 31, 2017 other current provisions include:

- provisions for disputes;
- provisions for customer guarantees;
- provisions for tax risks;
- provisions for ongoing cleanup;
- provisions for contingencies;
- provisions for charges.

Contract for supplies and services with ETC

In December 2015, a provision for onerous contracts of 40 million euros was recognized by SET following the signing of the “6k CSA” agreement between ETC and SET. This contract fixed the minimum purchases of supplies and services of centrifuges that each customer committed to buy from ETC, enabling it to retain centrifuge production, assembly, installation and maintenance skills at ETC.
In June 2017, a new agreement was signed for the 2017-2024 period, decreasing these 'take or pay' purchases for SET. Following this renegotiation, SET recorded a provision reversal of 17 million euros. Moreover, costs incurred in 2017 under the 6k CSA contract resulted in a provision reversal of 12 million euros offset by an impairment of the same amount insofar as the costs are capitalized.

Note 23 – BORROWINGS

(in millions of euros)	Non-current liabilities	Short-term borrowings	**December 31, 2017**	**December 31, 2016**
Interest-bearing advances	127	137	264	143
Borrowings from lending institutions and commercial paper	429	68	497	564
Bond issues (*)	4,053	111	4,165	5,006
Short-term bank facilities and current accounts in credit	-	73	73	53
Financial derivatives	5	40	45	49
Miscellaneous debt	62	0	62	59
Total	**4,676**	**429**	**5,105**	**5,873**

(*) after hedging of the interest rate risk

At December 31, 2017, borrowings included in particular:

- bond debt outstanding in the carrying amount of 4,113 million euros;
- an amortizable syndicated loan from 10 banks maturing in 2024 in the amount of 482 million euros (initial amount of 650 million euros);
- a financial current account credit balance for the ETC joint venture in the amount of 53 million euros.

Change in borrowings

(in millions of euros)	
Value at December 31, 2016	**5,873**
Cash flows	(922)
Non-cash flows:	
accrued interest not yet due on borrowings	63
Currency translation adjustments	(61)
Reclassification	105
Other changes	48
Value at December 31, 2017	**5,105**

The reclassification in borrowings relates to the share of a customer advance whose repayment, initially envisaged in the form of deliveries of materials, will ultimately be made in cash.

(in millions of euros)	
Cash flows of borrowings	**(922)**
Interest paid	71
Financial instruments – Assets	(11)
Short-term bank facilities and current accounts in credit	0
Cash flows of borrowings included in net cash flows from financing activities	**(862)**

Cash flows of borrowings included in net cash flows from financing activities mainly include the redemption of the bond in the amount of 800 million euros.

Borrowings by maturity, currency and type of interest rate:

(in millions of euros)	December 31, 2017
Maturing in one year or less	429
Maturing in 1-2 years	821
Maturing in 2-3 years	603
Maturing in 3-4 years	852
Maturing in 4-5 years	288
Maturing in more than 5 years	2,112
TOTAL	**5,105**

(in millions of euros)	December 31, 2017	December 31, 2016
Euro	4,973	5,775
US dollar	26	22
Yen	59	65
Other	47	11
TOTAL	**5,105**	**5,873**

(in millions of euros)	December 31, 2017	December 31, 2016
Fixed rate borrowings	4,192	4,833
Floating rate borrowings	809	926
TOTAL	**5,000**	**5,759**
Other non-interest-bearing debt	60	66
Financial derivatives	45	49
TOTAL	**5,105**	**5,873**

The maturities of the group's financial assets and borrowings at December 31, 2017 are presented in Note 28.

Bond issues after hedging

Issue date	**Balance sheet value** *(in millions of euros)*	**Currency**	**Nominal** *(in millions of currency units)*	**Nominal rate**	**Term/Expiration**
September 23, 2009	1,040	EUR	1,000	4.875%	September 2024
November 6, 2009	766	EUR	750	4.375%	November 2019
September 22, 2010	763	EUR	750	3.5%	March 2021
April 4, 2012	199	EUR	200	TEC10 +2.125%	March 2022
September 4, 2013	519	EUR	500	3.25%	September 2020
September 20, 2013	59	JPY	8,000	1.156%	September 2018
March 20, 2014	767	EUR	750	3.125%	March 2023
TOTAL	**4,113**				

The fair value of these bond issues was 4,291 million euros at December 31, 2017.

Guarantees and covenants

As security, Areva SA has pledged, in favor of the Company, to redeem all bonds contributed to the Company and to provide a guarantee in favor of the banking counterparties of the derivative financial instruments transferred to the Company in 2016. The carrying amount of Orano SA's bonds was 4,113 million euros as of December 31, 2017.
From a contractual perspective, these guarantees will end when the 500 million euro capital increase reserved for JNFL and MHI has been carried out or, for the guarantee concerning the bond issues, once they have been redeemed. Insofar as JNFL and MHI subscribed to the capital increases reserved for them on February 26, 2018, the guarantees issued by AREVA SA to Orano SA have been canceled.

Banking covenants

The redeemable syndicated loan in the amount of 482 million euros at December 31, 2017 and maturing in June 2024 is backed by certain future revenue from the Georges Besse II enrichment plant. As such, it includes pledges of future receivables and bank accounts, and contains a covenant based on the ratio of cash flows to interest expense, which conditions payments by *Société d'Enrichissement du Tricastin* to Orano SA (dividends and internal loan repayments).

Payment schedule at December 31, 2017

(in millions of euros)	Balance sheet value	**Total payment flows**	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Interest-bearing advances	264	**264**	137	-	-	-	-	127
Borrowings from lending institutions and commercial paper	497	497	68	56	76	83	86	129
Bond issues	4,165	4,165	111	762	522	763	199	1,807
Short-term bank facilities and current accounts in credit	73	73	73	-	-	-	-	-
Miscellaneous debt	62	62	-	3	5	6	3	44
Future interest on financial liabilities	-	1,409	190	213	231	203	166	406
Total borrowings (excluding derivatives)	**5,060**	**6,469**	**580**	**1,034**	**834**	**1,055**	**454**	**2,513**
Derivatives – assets	(61)	**(61)**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – liabilities	45	45	-	-	-	-	-	-
Total net derivatives	**(16)**	**(16)**	15	(13)	(3)	(6)	5	(14)
Total	**5,044**	**6,453**	**595**	**1,021**	**831**	**1,049**	**459**	**2,498**

Payment schedule at December 31, 2016

(in millions of euros)	Balance sheet value	**Total payment flows**	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Interest-bearing advances	143	**143**	-	-	-	-	-	143
Borrowings from lending institutions and commercial paper	564	564	77	59	56	76	83	213
Bond issues	5,006	5,006	857	65	768	531	768	2,017
Short-term bank facilities and current accounts in credit	53	53	53	-	-	-	-	-
Miscellaneous debt	59	59	-	-	-	-	-	59
Future interest on financial liabilities	-	1,084	276	154	149	115	84	306
Total borrowings (excluding derivatives)	**5,824**	**6,909**	**1,264**	**278**	**973**	**7,226**	**934**	**2,738**
Derivatives – assets	(51)	**(51)**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives – liabilities	49	49	-	-	-	-	-	-
Total net derivatives	**(2)**	**(2)**	27	4	(2)	(9)	(10)	(11)
Total	**5,823**	**6,907**	**1,291**	**282**	**970**	**712**	**924**	**2,727**

Note 24 - ADVANCES AND PREPAYMENTS

(in millions of euros)	**December 31, 2017**	**December 31, 2016**
Advances and prepayments on orders	2,011	1,903
Customer advances and prepayments invested in non-current assets	854	991
Total	**2,865**	**2,894**

This item comprises operating and investment advances and prepayments made by customers. The repayment of these advances and prepayments is charged against the revenue generated by the contracts in question, which primarily concern uranium sales and investment financing for the treatment and recycling of spent fuel.

As of December 31, 2017, advances and prepayments included 2,426 million euros maturing in more than one year.

Note 25 - OTHER OPERATING LIABILITIES

(in millions of euros)	**December 31, 2017**	**December 31, 2016**
Tax debt (excluding corporate income tax)	309	342
Social security liabilities	468	422
Financial instruments	37	223
Unearned income	489	507
Other	309	345
Other operating liabilities	**1,612**	**1,839**

As of December 31, 2017, other operating liabilities included 493 million euros maturing in more than one year.

Note 26 – CASH FROM OPERATING ACTIVITIES

Change in working capital requirement

(in millions of euros)	2017	2016
Change in inventories and work-in-process	(64)	(54)
Change in accounts receivable and other receivables	44	(33)
Change in accounts payable and other liabilities	(16)	(88)
Change in trade advances and prepayments received	78	72
Change in advances and prepayments made	(3)	2
Change in Forex hedge of WCR	(19)	(31)
Change in other non-current non-financial assets	(7)	(8)
TOTAL	**13**	**(139)**

Note 27 - TRANSACTIONS WITH RELATED PARTIES

Transactions between the parent company, Orano SA, and its subsidiaries, which are related parties, are eliminated on consolidation and are therefore not disclosed in this note.

December 31, 2017

(in millions of euros)	CEA	AREVA SA	Rest of AREVA group	Total
Operating income	206	6	252	**464**
Operating expenses	12	39	35	**86**
Trade accounts receivable and other	856	71	0	**927**
Trade accounts payable and other	187	44	0	**231**

December 31, 2016

(in millions of euros)	CEA	AREVA SA	Rest of AREVA group	Total
Operating income	228	197	218	**643**
Operating expenses	51	166	141	**358**
Trade accounts receivable and other	900	1,457	101	**2,458**
Trade accounts payable and other	176	200	143	**519**

Transactions with the CEA pertain to the dismantling work on the CEA's nuclear facilities and design engineering services. Trade and other receivables include receivables related to end-of-lifecycle operations (see Note 12).

For the last year, AREVA SA invoiced a brand fee, rents and associated services to the companies included in the scope of consolidation.

Transactions with the "Rest of the AREVA group" concern the invoicing of MOX fuel services resulting from Front End activities. Framatome left the "Rest of the AREVA group" as of December 31, 2017 (see Note 1.1).

Orano regularly carries out transactions with public sector companies, mainly EDF. Transactions with EDF

concern the front end of the nuclear fuel cycle (uranium sales, conversion and enrichment services) and the back end of the cycle (spent fuel shipping, storage, treatment and recycling services).
The group has a master treatment/recycling agreement known as the “ATR Contract” with EDF, which specifies the terms of the industrial cooperation between them in the field of treatment/recycling until 2040. As part of this agreement, in February 2016 Orano and EDF signed a new implementation contract defining the technical and financial conditions for the transportation, treatment and recycling of spent fuel by Orano for EDF for the 2016-2023 period.

Orano is buying the centrifuges for its new Georges Besse 2 enrichment plant from ETC; ETC also maintains this plant. For the 12-month period ended December 31, 2017, Orano's fixed asset purchases from ETC amounted to 13 million euros.

Compensation paid to key executives

(in millions of euros)	**2017**
Short-term benefits	4.48
Termination benefits	0.86
Post-employment benefits	(0.20)
Other long-term benefits	0
TOTAL	**5.14**

Key executives are:
- the Chairman of the Board of Directors and the Chief Executive Officer appointed by the Board of Directors on July 27, 2017;
- members of the Executive Committee from January 1, to December 31, 2017.

Note 28 – FINANCIAL INSTRUMENTS

Orano uses financial derivatives to manage its exposure to foreign exchange and interest rate risk. These instruments are generally qualified as hedges of assets, liabilities or specific commitments.

Orano manages all risks associated with these instruments by centralizing the commitment and implementing procedures setting out the limits and characteristics of the counterparties.

FOREIGN EXCHANGE RISK

The change in the exchange rate of the US dollar against the euro may affect the group’s income in the medium term.

In view of the geographic diversity of its locations and operations, the group is exposed to fluctuations in exchange rates, particularly the dollar-euro exchange rate. The volatility of exchange rates may impact the group’s currency translation adjustments, equity and income.

Currency translation risk: The group does not hedge the risk of translation into euros of financial statements of subsidiaries that use a currency other than the euro, to the extent that this risk does not result in a flow. Only dividends expected from subsidiaries for the following year are hedged as soon as the amount is known.

Balance sheet risk: The group finances its subsidiaries in their functional currencies to minimize the balance sheet foreign exchange risk from financial assets and liabilities issued in foreign currencies. Loans and advances granted to subsidiaries by the department of Treasury Management, which centralizes financing, are then systematically converted into euros through foreign exchange swaps or cross currency swaps.

To limit currency risk for long-term investments generating future cash flows in foreign currencies, the group uses a liability in the same currency to offset the asset whenever possible.

Trade exposure: The principal foreign exchange exposure concerns fluctuations in the euro/U.S. dollar exchange rate. The group's policy, which was approved by the Executive Committee, is to systematically hedge foreign exchange risk generated by sales transactions, whether certain or potential (in the event of hedging during the proposal phase), so as to minimize the impact of exchange rate fluctuations on net income.

To hedge transactional foreign exchange risk, including trade receivables and payables, firm off-balance sheet commitments (customer and supplier orders), highly probable future flows (sales or purchasing budgets, projected margins on contracts) and tender proposals in foreign currencies, Orano purchases derivative financial instruments (mainly currency futures) or specific insurance contracts issued by Coface. Hedging transactions are accordingly backed by underlying transactions in identical amounts and maturities, and are generally documented and eligible for hedge accounting (excluding possible hedges of tenders submitted in foreign currencies).

As security, AREVA SA has pledged, in favor of the Company, to provide a guarantee in favor of the banking counterparties of the derivative financial instruments transferred to the Company in 2016. This guarantee ended on February 26, 2018 when the 500 million euro Orano SA capital increase reserved for JNFL and MHI was carried out. However, it was still in effect at December 31, 2017.

Financial derivative instruments set up to hedge foreign exchange risk at December 31, 2017

	Notional amounts by maturity date							Market value
(in millions of euros)	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**	**Total**	
Forward exchange transactions and currency swaps	1,796	775	440	273	-	-	**3,284**	**98**
Currency options	-	-	-	-	-	-	**-**	**-**
Cross-currency swaps	59	359					**418**	**19**
TOTAL	**1,855**	**1,134**	**440**	**273**	**-**	**-**	**3,702**	**117**

Financial derivative instruments set up to hedge foreign exchange risk at December 31, 2016

	Notional amounts by maturity date							Market value
(in millions of euros)	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**	**Total**	
Forward exchange transactions and currency swaps	2,237	1,194	595	202			**4,228**	**(185)**
Currency options	52						**52**	**(2)**
Cross-currency swaps	63	65	317				**445**	**6**
TOTAL	**2,352**	**1,259**	**912**	**202**	**0**	**0**	**4,725**	**(180)**

At December 31, 2017, financial derivatives used to hedge foreign currency exposure broke down by type of hedging strategy as follows:

(in millions of euros)	Notional amounts in absolute value	Market value
Derivatives related to cash flow hedging strategies (CFH)	**2,294**	**78**
Forward exchange transactions and currency swaps	2,294	78
Derivatives related to fair value hedging strategies (FVH)	**395**	**13**
Forward exchange transactions and currency swaps	395	13
Derivatives not eligible for hedge accounting	**1,013**	**27**
Forward exchange transactions and currency swaps	595	8
Currency options	-	-
Cross-currency swaps	418	19
Total	**3,702**	**117**

At December 31, 2016, financial derivatives used to hedge foreign currency exposure broke down by type of hedging strategy as follows:

(in millions of euros)	Notional amounts in absolute value	Market value
Derivatives related to cash flow hedging strategies (CFH)	**3,139**	**(157)**
Forward exchange transactions and currency swaps	3,139	(157)
Derivatives related to fair value hedging strategies (FVH)	**337**	**(8)**
Forward exchange transactions and currency swaps	337	(8)
Derivatives not eligible for hedge accounting	**1,250**	**(15)**
Forward exchange transactions and currency swaps	752	(19)
Currency options	52	(2)
Cross-currency swaps	445	6
Total	**4,725**	**(180)**

LIQUIDITY RISK

Liquidity risk is managed by the Financing and Treasury Operations Department (“DOFT”), which provides the appropriate short- and long-term financing resources.

Cash management optimization is based on a centralized system to provide liquidity and manage cash surpluses. Management is provided by DOFT chiefly through cash-pooling agreements and intragroup loans, subject to local regulations. Cash is managed to optimize financial returns while ensuring that the financial instruments used are liquid.

COUNTERPARTY RISK

Orano is exposed to counterparty risk in respect of cash deposits with banks and the use of derivative financial instruments to hedge its risks.
To minimize this risk, Orano deals with a diversified group of front-ranking counterparties confined to those with investment grade ratings awarded by Standard & Poor's and Moody's.

INTEREST RATE RISK

Financial derivative instruments set up to hedge interest rate risk at December 31, 2017

	Notional amounts by maturity date							
(in millions of euros)	**Total**	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**	**Market value(1)**
Interest rate swaps – EUR variable lender								
EUR fixed borrower	**200**	-	-	-	-	200	-	**(4)**
Interest rate swaps – EUR variable lender								
EUR variable borrower	**100**	-	-	-	-	100	-	**(1)**
CAD variable borrower	**359**	-	359	-	-	-	-	**-**
Interest rate swaps – EUR fixed lender								
EUR variable borrower	**550**	-	50	150	150	-	200	**32**
Interest rate swaps – JPY fixed lender								
EUR variable borrower	**59**	59		-	-	-	-	**-**
Inflation rate swaps								
variable lender – USD fixed borrower	**146**	-	-	146	-	-	-	**(25)**
TOTAL	**1,414**	**59**	**409**	**296**	**150**	**300**	**200**	**2**

(1) Gain/(loss)

At December 31, 2017, financial derivatives used to hedge foreign interest rate exposure broke down by type of hedging strategy as follows:

	Nominal amount of contract	Market value of contracts[1]			
(in millions of euros)		Cash flow hedges (CFH)	Fair value hedges (FVH)	Not formally documented (Trading)	Total
Interest rate swaps – EUR variable lender					
EUR fixed borrower	200	-	-	(4)	(4)
Interest rate swaps – EUR variable lender					
EUR variable borrower	100	-	-	(1)	(1)
CAD variable borrower	359			(0)	(0)
Interest rate swaps – EUR fixed lender					
EUR variable borrower	550	-	32	-	32
Interest rate swaps – JPY fixed lender					
EUR variable borrower	59			(0)	(0)
Inflation rate swaps – USD variable lender					
USD fixed borrower	146	-		(25)	(25)
TOTAL	**1,414**	**0**	**32**	**(30)**	**2**

(1) Gain/(loss)

The following tables summarize the group's net interest rate risk exposure, before and after rate management transactions, at the end of 2017 and 2016.

Maturities of the group's financial assets and borrowings at December 31, 2017

(in millions of euros)	Less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 to 5 years	More than 5 years	Total
Financial assets	**2,070**	**-**	**-**	**-**	**-**	**-**	**2,070**
including fixed rate assets	-	-	-	-	-	-	-
including floating rate assets	2,061	-	-	-	-	-	2,061
including non-interest-bearing assets	9	-	-	-	-	-	9
Borrowings	**(429)**	**(821)**	**(603)**	**(852)**	**(288)**	**(2,112)**	**(5,105)**
including fixed rate borrowings	(212)	(758)	(522)	(763)	-	(1,938)	(4,194)
including floating rate borrowings	(118)	(63)	(81)	(89)	(288)	(169)	(807)
including non-interest-bearing borrowings	(100)	-	-	-	-	(5)	(105)
Net exposure before hedging	**1,641**	**(821)**	**(603)**	**(852)**	**(288)**	**(2,112)**	**(3,035)**
share exposed to fixed rates	(212)	(758)	(522)	(763)	-	(1,938)	(4,194)
share exposed to floating rates	1,943	(63)	(81)	(89)	(288)	(169)	1,254
non-interest-bearing share	(91)	-	-	-	-	(5)	(96)
Off-balance sheet hedging							
on borrowings: fixed rate swaps	59	50	150	150	(200)	200	409
on borrowings: floating rate swaps	(59)	(50)	(150)	(150)	200	(200)	(409)
Net exposure after hedging	**1,641**	**(821)**	**(603)**	**(852)**	**(288)**	**(2,112)**	**(3,035)**
share exposed to fixed rates	(153)	(708)	(372)	(613)	(200)	(1,738)	(3,785)
share exposed to floating rates	1,884	(113)	(231)	(239)	(88)	(369)	845
non-interest-bearing share	(91)	-	-	-	-	(5)	(96)

On the basis of exposure at the end of December 2017, a 1% increase in interest rates over a full year would have an adverse impact of -8 million euros on net borrowing costs, and as such on the group's consolidated pre-tax income.

Maturities of the group's financial assets and borrowings at December 31, 2016

(in millions of euros)	Less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years	Total
Financial assets	**1,436**	**5**	**7**	**10**	**10**	**18**	**1,485**
including fixed rate assets	0	0	0	0	0	0	0
including floating rate assets	1,434	0	0	0	0	0	1,434
including non-interest-bearing assets	2	5	7	10	10	18	51
Borrowings	**(1,022)**	**(126)**	**(824)**	**(607)**	**(850)**	**(2,444)**	**(5,873)**
including fixed rate borrowings	(833)	4	(769)	(531)	(768)	(1,964)	(4,861)
including floating rate borrowings	(101)	(130)	(55)	(76)	(83)	(472)	(916)
including non-interest-bearing borrowings	(89)	0	0	0	0	(7)	(96)
Net exposure before hedging	**413**	**(121)**	**(817)**	**(596)**	**(840)**	**(2,426)**	**(4,388)**
share exposed to fixed rates	(833)	4	(769)	(531)	(768)	(1,964)	(4,861)
share exposed to floating rates	1,333	(130)	(55)	(76)	(83)	(472)	517
non-interest-bearing share	(87)	5	7	10	10	11	(45)
Off-balance sheet hedging							
on borrowings: fixed rate swaps		61	100	150	150	200	661
on borrowings: floating rate swaps		(61)	(100)	(150)	(150)	(200)	(661)
Net exposure after hedging	**413**	**(121)**	**(817)**	**(596)**	**(840)**	**(2,426)**	**(4,388)**
share exposed to fixed rates	(833)	64	(669)	(381)	(618)	(1,764)	(4,200)
share exposed to floating rates	1,333	(190)	(155)	(226)	(233)	(672)	(144)
non-interest-bearing share	(87)	5	7	10	10	11	(45)

EQUITY RISK

The group holds a significant amount of publicly traded shares and is exposed to fluctuations in the financial markets. Those traded shares are subject to a risk of volatility inherent in the financial markets. They are presented in the investment portfolio earmarked for end-of-lifecycle operations (see Note 12).

Over a full year, a change in the equity markets of +10% would have an impact on available-for-sale securities of +275 million euros in shareholders' equity with no impact in profit or loss. A change of -10% would have an impact of -275 million euros on shareholders' equity with no impact in profit or loss.

Note 29 - ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

December 31, 2017

Assets

Including

(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	**7,226**	**29**	**887**		**5,765**	**492**	**52**	**7,333**
Financial assets earmarked for end-of-lifecycle operations	7,112		860		5,759	492		7,248
Other non-current assets	114	29	27		6		52	85
Current assets	**3,681**	**612**	**1,711**	**1,210**			**148**	**3,069**
Trade accounts receivable and related accounts	816	110	706					706
Other operating receivables	791	453	198				139	337
Other non-operating receivables	57	49	8					8
Cash and cash equivalents	1,950		740	1,210				1,950
Other current financial assets	67		58				9	67
Total assets	**10,906**	**641**	**2,598**	**1,210**	**5,765**	**492**	**200**	**10,402**

	Level 1 Listed prices, unadjusted	**Level 2** Observable data	**Level 3** Non-observable data	**TOTAL**
Non-current assets	**6,133**	**306**	**6**	**6,446**
Financial assets earmarked for end-of-lifecycle operations	6,133	254		6,388
Other non-current financial assets		52	6	58
Current assets	**1,210**	**148**		**1,358**
Other operating receivables		139		139
Cash and cash equivalents	1,210			1,210
Other current financial assets		9		9
Total assets	**7,343**	**454**	**6**	**7,804**

Liabilities and equity

Including						
(in millions of euros)	Balance sheet value	Non-financial assets and liabilities	Shareholders' equity and liabilities at amortized cost	Fair value recognized in profit or loss	Derivatives(*)	Fair value of financial assets
Non-current liabilities	**4,676**		**4,671**		**5**	**4,852**
Long-term borrowings	4,676		4,671		5	4,852
Current liabilities	**2,676**	**806**	**1,821**		**49**	**1,870**
Short-term borrowings	429		389		40	**429**
Trade accounts payable and related accounts	569		569			569
Other operating liabilities	1,612	805	798		9	807
Other non-operating liabilities	66	1	65			65
Total liabilities	**7,352**	**806**	**6,492**		**54**	**6,722**

(*) Level 2

December 31, 2016

Assets

Including								
(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	**6,224**	**22**	**798**		**4,793**	**561**	**49**	**6,341**
Financial assets earmarked for end-of-lifecycle operations	6,089		779		4,749	561		6,228
Other non-current assets	135	22	20		45		49	114
Current assets	**2,999**	**573**	**2,360**	**30**			**36**	**2,426**
Trade accounts receivable and related accounts	841	102	738					738
Other operating receivables	661	416	210				34	245
Other non-operating receivables	62	54	7					7
Cash and cash equivalents	1,434		1,403	30				1,433
Other current financial assets	2						2	2
Total assets	**9,223**	**595**	**3,158**	**30**	**4,793**	**561**	**85**	**8,767**

	Level 1 Listed prices, unadjusted	**Level 2** Observable data	**Level 3** Non-observable data	**TOTAL**
Non-current assets	**5,449**	**79**	**16**	**5,543**
Financial assets earmarked for end-of-lifecycle operations	5,449			5,449
Other non-current financial assets		79	16	94
Current assets	**30**	**36**		**66**
Other operating receivables		34		34
Cash and cash equivalents	30			30
Other current financial assets		2		2
Total assets	**5,479**	**114**	**16**	**5,609**

Liabilities and equity

(in millions of euros)	**Balance sheet value**	**Including** Non-financial assets and liabilities	**Shareholders' equity and liabilities at amortized cost**	**Fair value recognized in profit or loss**	**Assets available for sale**	**Derivatives(*)**	**Fair value of financial liabilities**
Non-current liabilities	**4,851**		**4,844**			**7**	**4,751**
Long-term borrowings	4,851		4,844			7	4,751
Current liabilities	**3,552**	**865**	**2,462**			**225**	**2,710**
Short-term borrowings	1,022		981			42	1,045
Trade accounts payable and related accounts	619		619				619
Other operating liabilities	1,839	859	796			183	980
Other non-operating liabilities	72	6	66				66
Total liabilities	**8,403**	**865**	**7,306**			**232**	**7,461**

(*) Level 2

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Available-for-sale securities

2017

(in millions of euros)	Interest income and dividends	Other income and expenses	Subsequent valuation: Changes in fair value and foreign exchange impact	Subsequent valuation: Impairment	Gain (loss) from disposal
Shareholders' equity *			142		(166)
Net income	126	-		(19)	254
Total	**126**	**-**	**142**	**(19)**	**87**

** : excluding tax impact*

At December 31, 2017, the net change in the fair value of available-for-sale securities recognized in "other items of comprehensive income" represented a total unrealized gain of 298 million euros.

2016

(in millions of euros)	Interest income and dividends	Other income and expenses	Subsequent valuation: Changes in fair value and foreign exchange impact	Impairment	Gain (loss) from disposal
Shareholders' equity *			(50)		(112)
Net income	218			(22)	90
Total	**218**		**(50)**	**(22)**	**(22)**

** : excluding tax impact*

At December 31, 2016, the net change in the fair value of available-for-sale securities recognized in "other items of comprehensive income" represented a total unrealized gain of 330 million euros.

Loans and receivables

2017

(in millions of euros)	Interest	Impairment	Debt forgiveness
Net income	49	6	(1)

2016

(in millions of euros)	Interest	Impairment	Debt forgiveness
Net income	27	10	(1)

Financial assets and liabilities at fair value recognized through profit or loss

Income in respect of financial assets and financial liabilities recognized at fair value through profit or loss at December 31, 2017 was an expense of (1) million euros, compared with nil at December 31, 2016.

Financial liabilities at amortized cost

2017

(in millions of euros)	Interest expense and commissions	Other income and expenses
Net income	(208)	0

2016

(in millions of euros)	Interest expense and commissions	Other income and expenses
Net income	(187)	0

Cash flow hedges

(in millions of euros)	**Value before tax at December 31, 2016**	New transactions	Change in value	Recognized in profit or loss	**Value before tax at December 31, 2017**
Cash flow hedging instruments	**(140)**	24	194	50	**127**

Lasting impairment of available-for-sale securities

(in millions of euros)	Amount at December 31, 2016	Charges	Reversal of depreciation on disposals	Currency translation adjustments	Other changes	Value before tax at December 31, 2017
Earmarked funds	(127)		20			(108)
Other available-for-sale securities	(29)	(18)				(46)
TOTAL	**(156)**	**(18)**	**20**	**-**	**-**	**(154)**

Unrealized capital losses on available-for-sale securities not recognized through profit and loss

(in millions of euros)	Unrealized capital losses at December 31, 2017	Including maturity in less than 1 year	Of which: maturing in 1 to 2 years
Mandate	(19)	(11)	(8)
Bond funds	(10)	(0)	(10)
TOTAL	**(29)**	**(11)**	**(18)**

Note 30 – OFF-BALANCE-SHEET COMMITMENTS

(in millions of euros)	December 31, 2017	*less than 1 year*	*From 1 to 5 years*	*More than 5 years*	December 31, 2016
COMMITMENTS GIVEN	**343**	**137**	**165**	**41**	**289**
Operating commitments given	293	122	157	14	276
• *Contract guarantees given*	*267*	*109*	*147*	*11*	*261*
• *Other guarantees and guarantees related to operating activities*	*26*	*13*	*11*	*3*	*15*
Commitments given on financing	31	6	8	17	7
Other commitments given	18	9	-	9	5
COMMITMENTS RECEIVED	**119**	**89**	**30**	**-**	**111**
Operating commitments received	119	89	30	-	110
Commitments received on collateral	-	-	-	-	-
Other commitments received	-	-	-	-	1
RECIPROCAL COMMITMENTS	**407**	**64**	**343**	**-**	**306**

NOTE 31 – DISPUTES AND CONTINGENT LIABILITIES

Orano may be party to certain regulatory, judicial or arbitration proceedings in the normal course of business. The group is also the subject of certain claims, lawsuits or regulatory proceedings which go beyond the ordinary course of business. The most significant are summarized below.

GADOULLET

On October 6, 2016, Jean-Marc Gadoullet sued AREVA SA and Orano Cycle SA before the Nanterre Tribunal de Grande Instance to obtain payment of compensation that he claims to be due for services he claims to have rendered to the Orano group in Niger between September 2010 and October 2013. AREVA SA and Orano Cycle SA consider Mr. Gadoullet's claims to be unfounded and, as a preliminary point, challenged the jurisdiction of the Tribunal de Grande Instance in this matter. The Tribunal rejected this argument and declared itself competent in a ruling handed down on February 6, 2018. AREVA SA and Orano Cycle SA have appealed this decision.

INVESTIGATIONS

The company is aware of a preliminary investigation initiated by the National Financial Prosecutor at the end of July 2015 concerning a uranium trade performed in 2011.

This investigation is taking place within the framework of legal proceedings against parties unknown; no entity of the Orano group is currently implicated.

CONTINGENT LIABILITIES

In Canada, Orano is faced with uncertainty as to the method of calculating mining royalties, since the legislation of the Province of Saskatchewan refers to "market prices", although the government provides no instructions or guidance on how to set or demonstrate a market price.

NOTE 32 - AUDITORS' FEES

2017

(in thousands of euros)	**Ernst & Young**		**Mazars**		**Other**	
	Amount excl. tx	**%**	Amount excl. tx	**%**	Amount excl. tx	**%**
Independent audit, certification & examination of the separate and consolidated financial statements						
Issuer	731	32%	849	35%	-	-
Fully consolidated subsidiaries	987	44%	1,431	58%	704	100%
Sub-total	**1,718**	**76%**	**2,280**	**93%**	**704**	**100%**
Services other than auditing the financial statements						
Issuer	389	17%	126	5%		
Fully consolidated subsidiaries	160	7%	53	2%		
Sub-total	**548**	**24%**	**179**	**7%**	**-**	**-**
TOTAL	**2,266**	**100%**	**2,459**	**100%**	**704**	**100%**

Services other than auditing the financial statements mainly concern:
- work conducted as part of the capital increase reserved for the French State;
- the review of environmental, social and societal information;
- other certifications.

NOTE 33 – SUBSEQUENT EVENTS

On February 26, 2018, the second capital increase reserved for MHI and JNFL, in a total amount of 500 million euros, was completed (see Note 1.1).

NOTE 34 – TRANSITION FROM THE REPORTED 2016 FINANCIAL STATEMENTS TO THE RESTATED 2016 FINANCIAL STATEMENTS AFTER APPLICATION OF IAS 8

(see 1.3 Accounting principles – correction of errors)

Transition from reported statement of income to restated statement of income

(in millions of euros)	**2016 Reported**	*IAS 8*	**2016 Restated**
REVENUE	**4,401**		**4,401**
Other income from operations	3		3
Cost of sales	(3,444)	10	(3,434)
GROSS MARGIN	**961**	**10**	**971**
Research and development expenses	(90)		(90)
Marketing and sales expenses	(37)		(37)
General and administrative expenses	(59)		(59)
Other operating expenses	(393)		(393)
Other operating income	22		22
OPERATING INCOME	**405**	**10**	**415**
Share in net income of joint ventures and associates	10		10
Operating income after share in net income of joint ventures and associates	**415**	**10**	**425**
Income from cash and cash equivalents	9		9
Gross borrowing costs	(228)		(228)
Net borrowing costs	**(219)**		**(219)**
Other financial expenses	(635)		(635)
Other financial income	342		342
Other financial income and expenses	**(293)**		**(293)**
NET FINANCIAL INCOME	**(512)**	**-**	**(512)**
Income tax	**(332)**		**(332)**
NET INCOME FROM CONTINUING OPERATIONS	**(429)**	**10**	**(419)**
Net income after tax from operations sold, discontinued or held for sale	70		70
NET INCOME	**(359)**	**10**	**(349)**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**(249)**	10	**(239)**
NET INCOME ATTRIBUTABLE TO MINORITY INTERESTS	**(110)**		**(110)**

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	**(359)**	***10***	**(349)**
Items not recyclable to the statement of income	**(95)**	**30**	**(64)**
Actuarial gains and losses on the employee benefits of consolidated companies	(83)	30	(53)
Income tax related to non-recyclable items	(1)		(1)
Share in non-recyclable items from joint ventures and associates, net of tax	(10)		(10)
Non-recyclable items related to sold, discontinued or held-for-sale operations, net of tax	-		-
Items recyclable to the statement of income	**70**		**70**
Currency translation adjustments of consolidated companies	145		145
Change in value of available-for-sale financial assets	(162)		(162)
Change in value of cash flow hedges	48		48
Income tax related to recyclable items	39		39
Share in recyclable items from joint ventures and associates, net of tax	-		-
Recyclable items related to sold, discontinued or held-for-sale operations, net of tax	-		-
Total other items of comprehensive income (net of income tax)	**(25)**	**30**	**5**
Comprehensive income	**(384)**	**40**	**(344)**
- Attributable to owners of the parent	(323)	40	(283)
- Attributable to minority interests	(61)		(61)

LIABILITIES AND EQUITY

(in millions of euros)	**2016 reported**	**IAS 8**	**2016 restated**
Equity and minority interests	**(1,056)**	**40**	**(1,016)**
Capital	53		53
Consolidated premiums and reserves	(1,130)	10	(1,120)
Actuarial gains and losses on employee benefits	(187)	30	(157)
Deferred unrealized gains and losses on financial instruments	136		136
Currency translation reserves	113		113
Equity attributable to owners of the parent	**(1,016)**	**40**	**(976)**
Minority interests	(40)		(40)
Non-current liabilities	**14,064**	**(40)**	**14,024**
Employee benefits	1,442	(40)	1,402
Provisions for end-of-lifecycle operations	7,341		7,341
Other non-current provisions	254		254
Share in negative net equity of joint ventures and associates	63		63
Long-term borrowings	4,851		4,851
Deferred tax liabilities	113		113
Current liabilities	**8,407**	**-**	**8,407**
Current provisions	1,733		1,733
Short-term borrowings	1,022		1,022
Advances and prepayments received	2,894		2,894
Trade accounts payable and related accounts	619		619
Other operating liabilities	1,839		1,839
Other non-operating liabilities	72		72
Current tax liabilities	213		213
Liabilities of operations held for sale	15		15
Total liabilities and equity	**21,414**	**-**	**21,414**

Transition from reported CF statement to restated CF statement

(in millions of euros)	**2016 Reported**	*IAS 8*	**2016 Restated**
Net income for the period	**(359)**	10	**(349)**
Less: income from operations sold, discontinued or held for sale	(70)		(70)
Net income from continuing operations	**(429)**	**10**	**(419)**
NET CASH FROM OPERATING ACTIVITIES	**767**		**767**
NET CASH FLOW FROM INVESTING ACTIVITIES	**(514)**		**(514)**
NET CASH FLOW FROM FINANCING ACTIVITIES	**(1,542)**		**(1,542)**
NET CASH FROM OPERATIONS SOLD, DISCONTINUED OR HELD FOR SALE	**61**		**61**
CHANGE IN NET CASH	**(1,141)**		**(1,141)**
Net cash at the beginning of the period	**2,523**		**2,523**
Net cash at the end of the period	**1,382**		**1,382**

7.4 Statutory Auditors' Report on the Consolidated Financial Statements for the 4 months ended December 31, 2017

MAZARS

ERNST & YOUNG Audit

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Orano
(Formerly New AREVA Holding)

For the four-month period ended 31 December 2017

Statutory auditors' report on the consolidated financial statements

MAZARS
61, rue Henri Regnault
92400 Courbevoie
S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
B 784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Orano
(Formerly New AREVA Holding)

For the four-month period ended 31 December 2017

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of Orano,

Opinion

In compliance with the engagement entrusted to us by a decision of the sole shareholder and by a collective decision of the shareholders, we have audited the accompanying consolidated financial statements of Orano for the four-month period ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017 and of the results of its operations for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Ethics Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory auditors' responsibilities for the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 September 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

Emphasis of matter

We draw your attention to the following matter described in Notes 1.3.11 and 12 to the consolidated financial statements relating to the methods of valuation of the provisions for end-of-life cycle operations, and their sensitivity to the assumptions used in terms of technical procedures, costs, disbursement schedules, and inflation and discount rates. Our opinion is not modified in respect of this matter.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of mining assets

Risk identified

As at 31 December 2017, the net carrying amount of the tangible and intangible mining assets amounts to €2,845m. The value of the goodwill of the Mining cash generating unit (CGU), included in that of the mining assets, amounts to €805m. Certain assets have been subject to impairment in previous years.

Your group performs impairment tests on these assets according to the methods described in Note 1.3.4.5 to the consolidated financial statements. We considered the valuation of these assets to be a key audit matter due to their significance in the financial statements and the estimates and judgments necessary to conduct these tests.

Indeed, in order to determine the value in use, they integrate forecasted production and costs, as well as assumptions concerning the price of uranium derived from a forecast curve based on the group's view of trends in supply and demand for this mineral. Where appropriate, the tests take into account a resale value which is measured on the basis of observable data (recent transactions, offers received from potential buyers, market value multiples for comparable companies) or analyses performed by group or external experts.

All information on impairment tests is provided in Notes 9, 10 and 11 to the consolidated financial statements.

Our response

We analysed the methods applied by your group for the implementation of impairment tests, verified their arithmetical accuracy through sampling, and reconciled the data with the medium-term plan ("Financial Trajectory") drawn up by management and approved by the Board of Directors.

We assessed the consistency of the forecasted data used in the impairment tests with the mining plans drawn up for each mine.

As regards the forecast curve for the price of uranium used for sales, the determination of the resale values and the discount rates, we obtained an understanding of the analyses prepared by the group or by external experts and compared the assumptions used with the available market data. We involved our valuation specialists whenever necessary.

Lastly, we performed sensitivity analyses on the impairment tests, notably on the price assumptions, exchange rates (in particular the euro/dollar exchange rate) and the discount rate, and we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Valuation of the industrial conversion assets

Risk identified

As at 31 December 2017, the Comurhex II uranium conversion plant, an industrial asset under construction, is recorded in the balance sheet for a net carrying amount of €134m.

Notes 1.3.4.5 and 11 to the consolidated financial statements describe the assumptions underlying the determination of the recoverable amount of this asset.

This recoverable amount is based on discounted cash flow calculations and involves significant judgments by management, notably concerning factors such as price and volume assumptions, the investment amounts to be incurred and the discount rate.

Your group has recognized a depreciation charge as at 31 December 2017, as stated in Note 11 to the consolidated financial statements.

Given the sensitivity to changes in the data and assumptions on which the estimates are based, we considered the valuation of the recoverable amount of industrial conversion assets to be a key audit matter.

Our response

The work that we performed in order to assess the reasonableness of the estimate of the recoverable amount of the Comurhex II industrial asset mainly consisted in:

- assessing the quality of the process to develop and approve the business plan, as well as the consistency of the assumptions used with the medium-term plan ("Financial Trajectory") drawn up by management and approved by the Board of Directors;

- analyzing the principles and methods used to determine the recoverable amount of the Comhurex II plant;

- confirming, notably through discussions with management and comparison with available market or historical data, the reasonableness of the main data and assumptions on which the estimates are based (such as price and volume assumptions, costs to be incurred and the performance plan for the Comurhex II plant);

- verifying, by sampling, the arithmetic accuracy of the valuations performed by your group.

In addition, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Recognition of revenue and margin at completion for the ATR agreement

Risk identified

As described in Note 1.3.3 to the consolidated financial statements, your group carries on its activity through services contracts. In particular, your group has entered into a treatment and recycling framework agreement with EDF, known as the "ATR agreement", which defines the conditions of industrial cooperation relating to treatment and recycling until 2040. Within the context of this framework agreement, Orano and EDF signed a new implementation contract in February 2016, defining the technical and financial conditions for the treatment and recycling of the fuel used by Orano for the benefit of EDF for the period 2016-2023.

The revenue and margin relating to this services contract are recognized under the cost completion method as the work progresses. The percentage of completion is calculated based on the ratio of costs incurred to total forecasted costs for the contract, within the limits of physical or technical completion at the closing date.

The revenue and margin amounts to be recognized in the period, and any provision for loss at completion as at the closing date, depend on the entity's ability to measure the costs incurred for a contract and to reliably estimate the costs still to be incurred until the end of the contract. These estimates are regularly updated and involve detailed calculations using large and complex databases.

We considered that the measurement of the margin at completion and of the percentage of completion of this contract constitutes a key audit matter due to the sensitivity of these items to the assumptions used by management.

Our response

We assessed the controls designed and applied by your group to measure the margin at completion and the percentage of completion of the contract.

Our other procedures notably consisted in:

- confirming the reasonableness of the main data and assumptions on which the estimates of future costs are based, mainly through comparison with the available historical data for previous implementation contracts and analysis of the impacts of the current performance plans on future costs;

- reconciling the accounting data with the management data used to recognize the revenue for the period and testing the costs incurred by sampling.

Measurement of end-of-life cycle operations and coverage ratio

Risk identified

As at 31 December 2017, provisions for end-of-life cycle operations amount to €7,545m, including €7,276m falling within the scope of the law of 28 June 2006 relating to the sustainable management of radioactive materials and waste. These provisions concern the future costs associated with facility dismantling obligations, waste retrieval and packaging, and waste transport and storage. The accounting treatment applied, the methods used to measure these provisions, and the uncertainties relating to the assumptions used in terms of technical scenarios and processes, costs, disbursement schedules and inflation and discount rates are described in Notes 1.2, 1.3.11 and 12 to the consolidated financial statements.

Your group regularly reviews the assumptions used to measure these provisions and to take into account any regulatory changes, operational experience and other factors deemed relevant based on technical and economic developments.

In addition, the law lays down the principle of building a base of dedicated financial assets to cover these provisions. In the event of non-compliance with this regulation, your group has three years in which to remedy the situation. The group has therefore constituted a portfolio of assets to cover all its commitments relating to the obligations imposed by the law of 28 June 2006.

In view of the significance of the provisions for end-of-life cycle operations, the complexity of the cost estimation models used due to the difficulty of the performance of the operations and their long-term horizon, and the sensitivity to the assumptions on which these estimates are based, in particular the uncertainties regarding regulatory changes, the safety authorities' requirements, the waste treatment and disposal sectors, knowledge of the initial condition of the plants and the changes in the discount rate used, we considered the measurement of these provisions and the ratio of coverage by dedicated financial assets to be a key audit matter.

Our response

We obtained an understanding of the process adopted for the measurement, control and governance of these provisions. We tested the key controls set up by management to determine the costs used for this measurement (validation of the provisions at each level of governance – notably at the level of the End-of-Life Cycle Obligations Monitoring Committee and the Decommissioning Obligations Monitoring Committee –, and the existence of a body of robust, approved documentation, summary memos and risk analyses performed by management).

Our work also consisted in:

- assessing the consistency over time of the models used to estimate the provisions;
- assessing the validity of the assumptions used to determine the costs at completion and the disbursement schedules, notably through discussions with the managements concerned, in particular changes in assumptions and the contingency level used;
- considering communications with the administrative authorities, in particular the follow-up letters from the *Direction générale de l'Energie et du Climat* (Directorate General for Energy and Climate);
- analysing, with our specialists, the IT general controls relating to the application used by Orano to calculate provisions for plants currently in service;
- using our own expert to review the discount and inflation rates used;
- comparing the data derived from the end-of-life cycle provisions management application with the accounting records and testing the arithmetical accuracy of accretion.

Our work regarding the coverage ratio consisted in:

- considering communications with the administrative authorities and the projected plan for the contribution of additional assets in the event of under-coverage, through discussion with management;
- assessing the eligibility of the assets;
- testing the arithmetical accuracy of the calculation of the ratio.

Verification of the information pertaining to the group presented in the management report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Orano by a decision of the sole shareholder on 30 June 2009 for MAZARS and by a collective decision of the shareholders on 25 October 2016 for ERNST & YOUNG Audit.

As at 31 December 2017, MAZARS and ERNST & YOUNG Audit were respectively in their tenth and third accounting periods of total uninterrupted engagement.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Ethics Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory auditors’ responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of your Company or the quality of management of the affairs of your Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Ethics Committee

We submit a report to the Audit and Ethics Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Ethics Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in *this report*.

We also provide the Audit and Ethics Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set ou in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics for Statutory Auditors (Code de déontologie de la profession de commissaire aux comptes). Where appropriate, we discuss with the Audit and Ethics Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, 28 March 2018

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG Audit	
Olivier Thireau	Jean-Louis Simon	Aymeric de La Morandière	Jean Bouquot

7.5 Statutory Auditors' Report on the Company Financial Statements for the 4 months ended December 31, 2017

MAZARS ERNST & YOUNG Audit

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Orano
(Formerly New AREVA Holding)

For the four-month period ended 31 December 2017

Statutory auditors' report on the financial statements

MAZARS
61, rue Henri Regnault
92400 Courbevoie
S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
B 784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
Tour First
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S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Orano
(Formerly New AREVA Holding)

For the four-month period ended 31 December 2017

Statutory auditors' report on the financial statements

Statutory auditors' report on the financial statements

To the Annual General Meeting of Orano,

Opinion

In compliance with the engagement entrusted to us by a decision of the sole shareholder and by a collective decision of the shareholders, we have audited the accompanying financial statements of Orano for the four-month period ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the period then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Ethics Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 September 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

Justification of assessments - Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of investments and related loans

Risk identified:	The investments and related loans of your company amount to 7 961 851 thousand euros as at 31 December 2017 and represent the most significant balance sheet account. As stated in Notes 1.7, 2.1, 5.1, 5.2 and 5.8 to the financial statements, the investments are accounted for at their acquisition cost or transfer value and are depreciated when the related value in use for a given investment falls below its historical cost. This depreciation is calculated based on the share of the net assets held at closing date. The forecasted profitability or the market value of the subsidiaries is also taken into account in this calculation, as are any events subsequent to the closing date. The estimation of the value in use of these investments requires management's judgment to identify the factors to be taken into account. These may be historical factors (such as equity), or forecasts (the profitability outlook and economic situation for the related activities and countries). Due to the uncertainties inherent in the forecast items used in the calculation of value in use, we considered the valuation of the investments, the related loans and the related provisions for risks to constitute a key audit matter.
Our response	We tested the functioning of your company's internal control related to the calculation of the value in use of the investments. Our procedures mainly consisted in: - verifying that the values in use prepared by management are supported by appropriate valuation methods; - comparing the data used in the investment impairment tests with the source data by subsidiary; - testing, by sampling, the arithmetical accuracy of the value in use calculations

Valuation of investments and related loans	
	performed by your company; - assessing the recoverability of the related loans based on the analyses performed on the investments; - verifying the recognition of a provision for risks if your company is liable for the losses of a subsidiary with negative equity.

Verification of the management report and of the other documents provided to the shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report the Board of Directors and in the other documents provided to Shareholders with respect to the financial position and the financial statements.

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed as statutory auditors of Orano by a decision of the sole shareholder on 30 June 2009 for MAZARS and by a collective decision of the shareholders on 25 October 2016 for ERNST & YOUNG Audit.

As at 31 December 2017, MAZARS and ERNST & YOUNG Audit were respectively in their tenth and third accounting periods of total uninterrupted engagement.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Ethics Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Ethics Committee

We submit a report to the Audit and Ethics Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Ethics Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Ethics Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit and Ethics Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, 28 March 2018,

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG Audit	
Olivier Thireau	Jean-Louis Simon	Jean Bouquot	Aymeric de La Morandière

7.6 Statutory Auditors' Report on the Specific Consolidated Financial Statements for the 12 months ended December 31, 2017

MAZARS

ERNST & YOUNG Audit

This is a translation into English of the statutory auditors' report on the specific consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Orano
(Formerly New AREVA Holding)

Period from 1 January to 31 December 2017

Statutory auditors' report on the specific consolidated financial statements

MAZARS
61, rue Henri Regnault
92400 Courbevoie
S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
B 784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Orano
(Formerly New AREVA Holding)

Period from 1 January to 31 December 2017

Statutory auditors' report on the specific consolidated financial statements

To the Members of the Board of Directors,

In our capacity as statutory auditors of Orano and in accordance with your request in connection with the modification of the closing date, which was brought forward to 31 August 2017 and then returned to a closing date on 31 December 2017, we hereby report to you on the audit of the accompanying specific consolidated financial statements of Orano, for the twelve-month period ended 31 December 2017.

Management is responsible for the preparation of these specific consolidated financial statements which were approved by the Board of Directors. Our role is to express an opinion on these specific consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the specific consolidated financial statements are free from material misstatement. An audit involves performing procedures, by audit sampling and other means of testing, to obtain audit evidence about the amounts and disclosures in the specific consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the specific consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the specific consolidated financial statements have been prepared, in all material respects, in accordance with the basis of preparation disclosed in the notes which specifies that the twelve-month period of the specific consolidated financial statements results from the combination of the consolidated financial statements for the eight-month period from 1 January 2017 to 31 August 2017 and the consolidated financial statements for the four-month period from 1 September 2017 to 31 December 2017.

Courbevoie and Paris-La Défense, 28 March 2018

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG Audit	
Olivier Thireau	Jean-Louis Simon	Aymeric de La Morandière	Jean Bouquot

7.7 Five-year financial summary

(in thousands of euros)

Type of indicator		2014	2015	2016	**8 Months 2017**	**4 Months 2017**
I - Share capital at year end						
a)	Share capital	247,500	247,500	52,831	118,869	118,869
b)	Number of common shares outstanding	16,500,000	16,500,000	105,661,110	237,737,500	237,737,500
c)	Number of shares with preferred dividend rights	-	-	-	-	-
II - Operations and income for the year						
a)	Revenue before tax	-	-	-	28,593	10,531
b)	Income before tax, employee profit-sharing and amortization, depreciation and provisions (including reversals)	(19,903)	(291)	(28,885)	(85,308)	(57,261)
c)	Income tax	-	-	(1,252)	(1,737)	68,641
d)	Employee profit-sharing for the year	-	-	-	-	(2)
e)	Income after tax, employee profit-sharing and amortization, depreciation and provisions (increases-decreases)	(1,554)	(137)	101,633	(887,479)	563,468
f)	Net income distributed	-	-	-	-	-(*)
III - Earnings per share (in euros)						
a)	Income after tax and employee profit-sharing, before amortization, depreciation and provisions (increases-decreases)	(1.21)	(0.02)	(0.29)	(0.37)	0.05
b)	Income after tax, employee profit-sharing and amortization, depreciation and provisions (increases-decreases)	(0.09)	(0.01)	0.96	(3.73)	2.37
c)	Dividend per share (rounded to one eurocent)	0.00	0.00	0.00	0.00	0.00
IV - Personnel						
a)	Average number of salaried employees during the year	-	-	-	0.25	4.25
b)	Total payroll for the year	-	-	-	229	325
c)	Payroll taxes and other benefit expenses (social security, benefits programs, etc.)	-	-	-	82	118

(*) Preliminary data pending approval

7.8 **Subsidiaries and associates**

Please refer to the table of subsidiaries and associates appearing in Note 7.7 to the Company Financial Statements (Appendix 7.2 of the Annual Activity Report – Financial period ended December 31, 2017).

7.9 List of French companies controlled indirectly at December 31, 2017

NAME OR COMPANY NAME	LEGAL FORM	SHARE CAPITAL	BUSINESS REGISTER	ADDRESS	MAJORITY SHAREHOLDER -	ORANO'S INDIRECT FINANCIAL% IN THE COMPANY
AMALIS (Assainissement, Maintenance, Assistance, Logistique sur Installations et Services) [1i]	Limited liability company with a Board of Directors	3,698,125	Bourg en Bresse business register 420 952 194	Allée des Combes, Parc Industriel de la Plaine de L'Ain 01150 Blyes, France	Orano DS (ex STMI)	73.86
LEA (Laboratoire d'Etalons d'Activités)	Simplified joint stock company with a sole shareholder	209	Nanterre business register 538 613 613	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Cycle (ex AREVA NC)	100.00
Orano Expansion (ex AREVA NC EXPANSION)	Simplified joint stock company	79,861,140	Nanterre business register 501 472 492	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	CFMM	86.51
Orano Temis (ex AREVA TEMIS)	Simplified joint stock company with a sole shareholder	1,300,000	Cherbourg business register 350 357 596	Z.A. d'Armanville 50700 Valognes, France	Orano Cycle (ex AREVA NC)	100.00
CFM - COMPAGNIE FRANÇAISE DE MOKTA	Limited liability company with a Board of Directors	6,630,830	Nanterre business register 552 112 716	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Mining (ex AREVA Mines)	100.00
CFMM - COMPAGNIE FRANÇAISE DE MINES ET DE METAUX	Simplified joint stock company with a sole shareholder	28,594,600	Nanterre business register 300 574 894	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Mining (ex AREVA Mines)	100.00
CNS - COMPAGNIE NUCLEAIRE DE SERVICES	Limited liability company with a Board of Directors	6,573,400	Nanterre business register 401 649 363	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Cycle (ex AREVA NC)	51.00
EURODIF	Limited liability company with a Super-visory Board	152,500,000	Nanterre business register 723 001 889	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Cycle (ex AREVA NC)	90.00
EURODIF PRODUCTION	Limited liability company with a Board of Directors	1,525,000	Valence business register 307 146 472	Usine Georges BESSE, Site du Tricastin 26700 Pierrelatte, France	Eurodif	90.00
GIE USLH 2 - GROUPEMENT UTILITE DU SITE DE LA HAGUE 2	Economic interest grouping	0	Cherbourg business register 810 153 445	901 Route Départementale 50440 Herqueville, France	Orano Cycle (ex AREVA NC)	50.00
LEMARECHAL CELESTIN	Simplified joint stock company with a sole shareholder	1,361,710	Cherbourg business register 582 650 297	Rue des Entrepreneurs, Z.A. d'Armanville 50700 Valognes, France	TN International (Orano TN)	100.00
MSIS ASSISTANCE - MAINTENANCE SECURITE INSTALLATION SERVICE [1]	Simplified joint stock company with a sole shareholder	594,750	Evry business register 327 492 336	1 Route de la Noue, ZAC de Courcelles 91196 Gif-sur-Yvette, France	Orano DS (ex STMI)	73.86
POLINORSUD	Simplified joint stock company with a sole shareholder	506,300	Tours business regis-ter 343 008 231	ZAC Ecopôle du Véron, Lot n° 5 37420 Avoine, France	Orano DS (ex STMI)	73.86
SAINT DIZIER PARC ENERGIE	Limited liability company with a Board of Directors	400,000	Chaumont business register 502 699 556	Zone de Référence de Haute Marne 52100 Bettancourt La Ferrée, France	OranoDelfi (ex AREVADELFI)	59.95

[1] *This entity was absorbed by STMI on 12/31/2017*

NAME OR COMPANY NAME	LEGAL FORM	SHARE CAPITAL	BUSINESS REGISTER	ADDRESS	MAJORITY SHAREHOLDER -	ORANO'S INDIRECT FINANCIAL% IN THE COMPANY
SC CREGU - CENTRE DE RECHERCHE SUR LA GEOLOGIE DES MATIERES PREMIERES MINERALES ET ENERGE-TIQUES -	Professional partnership	15,244.91	Nancy business register 315 335 950	4 rue Piroux - Immeuble Thiers - 9ème étage 54000 Nancy, France	Orano Mining (ex AREVA Mines)	50.10
SCI DU PONT DE CELLES - SOCIETE CIVILE IMMOBILIERE DU PONT DE CELLES	Property partnership	15,000	Montpellier business register 317 898 815	41 Avenue de Fumel 34700 Lodeve, France	SEPIS	100.00
SCI SOCIMAR – SCI DU SITE DE MAR-COULE	Property partnership	2,000	Nanterre business register 443 324 306	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	SEPIS	100.00
SCI SOPARIM	Property partnership	1,500,000	Nanterre business register 331 981 415	1 Place Jean Millier, Tour Areva 92084 Paris-La Défense Cedex, France	Orano Cycle (ex AREVA NC)	100.00
SEPIS - SOCIETE D'ETUDE DE PROCEDES INDUSTRIELS SPECIAUX	Private limited liability company	7,800	Nanterre business register 310 232 889	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Cycle (ex AREVA NC)	100.00
SET - SOCIETE D'ENRICHISSEMENT DU TRICASTIN	Simplified joint stock company with a sole shareholder	464,590,000	Nanterre business register 440 252 666	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	SET HOLDING	95.00
SET HOLDING - SOCIETE D'EN-RICHISSEMENT DU TRICASTIN HOLD-ING	Simplified joint stock company	440,087,530	Nanterre business register 503 993 149	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Cycle (ex AREVA NC)	95.00
SICN - SOCIETE INDUSTRIELLE DE COMBUSTIBLE NUCLEAIRE	Simplified joint stock company with a sole shareholder	5,000,000	Annecy business register 325 720 209	4 Rue du Radar 74000 Annecy, France	Orano Cycle (ex AREVA NC)	100.00
SOCATRI - SOCIETE AUXILIAIRE DU TRICASTIN	Private limited liability company	200,000	Nanterre business register 302 639 927	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Eurodif	90.00
SOFIDIF - SOCIETE FRANCO IRA-NIENNE POUR L'ENRICHISSEMENT DE L'URANIUM PAR DIFFUSION GAZEUSE	Limited liability company with a Board of Directors	20,968,750	Nanterre business register 303 587 216	1 Place Jean Millier, Tour Areva 92400 Courbevoie, France	Orano Cycle (ex AREVA NC)	60.00
SOVAGIC - SOCIETE POUR LA VALO-RISATION ET LA GESTION D'INFRAS-TRUCTURES COMMUNES	Private limited liability company	30,500	Cherbourg business register 327 194 866	Zone Industrielle de Di-gulleville – Beaumont, BP 710 50440 Digulleville, France	Orano Cycle (ex AREVA NC)	100.00
Orano DS – Démantèlement et Services (ex STMI - SOCIETE DES TECHNIQUES EN MILIEU IONISANT)	Limited liability company with a Board of Directors	7,259,000	Evry business register 672 008 489	1 Route de la Noue - ZAC de Courcelles 91196 Gif-sur-Yvette Cedex, France	CNS	73.86
TN INTERNATIONAL (Orano TN)	Limited liability company with a Board of Directors	30,291,000	Versailles business register 602 039 299	1 Rue des Hérons 78180 Montigny le Breton-neux, France	Orano Cycle (ex AREVA NC)	100.00
TRIHOM	Simplified joint stock company	52,566.75	Tours business regis-ter 378 649 040	ZAC des Grands Clos 37420 Avoine, France	Orano DS (ex STMI)	48.75

7.10 Board of Directors' Report on the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to the officers of the Company (Article L. 225-37-2 of the French Commercial Code)

Report of the Board of Directors on the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to the officers of the Company (Article L. 225-37-2 of the French Commercial Code)

Dear Shareholders,

The General Meeting of Shareholders of Orano (the "**Company**") was convened by the Board of Directors for May 24, 2018 at 14:00 PM at the Company's head office ("the **General Meeting**").

In this report, prepared in accordance with Article L.225-37-2 of the French Commercial Code arising from Law No. 2016-1691 of December 9, 2016 concerning transparency, the fight against corruption and the modernization of economic life, known as the "Sapin 2 Law", and Decree No. 2017-340 of March 16, 2017, we present the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total compensation and benefits of all kinds to be awarded to New AREVA Holding's officers.

As a reminder, in view of the fact that this company's securities are admitted for trading on a regulated market, Article L. 225-100 of the French Commercial Code provides that the amounts resulting from the implementation of these principles and criteria shall be subject to the shareholders' approval at the General Meeting convened to approve the 2018 financial statements.

The payment of amounts qualified as variable or exceptional compensation in respect of the fiscal year ending December 31, 2018 will be subject to that approval.

1. General principles of the compensation policy applicable to officers

The major principles of the compensation policy were laid down by the Board of Directors on the advice of the Compensation and Nominating Committee. In accordance with the governance structure currently in place, the Company's officers are:

- the Chairman of the Board of Directors (non-executive officers); and
- the Chief Executive Officer (executive officer).

The compensation policy defined by the Board of Directors for non-executive and executive officers is established in accordance with:

- the requirements of Article 3 of Decree No. 53-707 of August 9, 1953 concerning the French state's control over domestic public sector companies and certain organizations with an economic or social purpose, as amended by Decree No. 2012-915 of July 26, 2012 capping the compensation[(1)] of executives to 450,000 euros (the **Ceiling**) and subjecting it to ministerial authorization;
- the relevant recommendations of the Afep-Medef Code, as revised in November 2016, to which the Company intends to refer; and
- the provisions of Decree No. 2017-340 of March 16, 2017.

To serve these objectives effectively, the Board of Directors has comprehensively determined and carefully assesses the different components of officer compensation.

[(1)] *This concerns the attendance fees or indemnities awarded notably to directors and the components of the officers' activity-related compensation. Benefits of any kind related to activities, as well as the compensation components, indemnities or benefits payable or likely to be payable to officers upon the cessation of their activities or upon a change in their positions, or thereafter, are not taken into account in the calculation of this Ceiling but are nonetheless subject to ministerial authorization.*

As regards the definition of the criteria and performance objectives, the Board of Directors adapts the compensation policy to the firm's strategy, situation and shareholding structure.

2. Principles and criteria for determining, distributing and allocating the different components of compensation currently provided by type of duties

2.1 - Chairman of the Board of Directors

A - Fixed compensation

The Chairman of the Board of Directors receives fixed annual compensation within the limit of the Ceiling, to the exclusion of any other component of compensation except for attendance fees.

The amount of this fixed component is determined on the basis of personal criteria (including work history, experience, length of service and responsibilities), industry-specific criteria, and criteria related to the general economic environment and the Company's public shareholding position.

It will be proposed that the fixed annual compensation of Mr. Philippe Varin, Chairman of the Board of Directors, be set at 120,000 euros as from the date of the decision of the Board of Directors, meeting on July 27, 2017, and for the remainder of his term of office.

This decision was approved on September 7, 2017 by the Minister of the Economy and Finance in accordance with Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the French state's control of domestic public-sector companies and certain organizations with an economic or social purpose.

B - Attendance fees

The General Meeting on July 27, 2017 was asked to approve the setting of the annual amount of attendance fees at 600,000 euros for the overall amount of attendance fees allocated to members of the Board of Directors for the period starting on January 1, 2018 and ending at the close of the 2018 fiscal year; this amount will apply to each subsequent financial year until a new decision is adopted by the General Meeting.

This decision was approved on September 7, 2017 by the Minister of the Economy and Finance in accordance with Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the French state's control of domestic public-sector companies and certain organizations with an economic or social purpose.

The Chairman of the Board of Directors may receive attendance fees in respect of his Director's duties, within the limit of the Ceiling.

2.2 - Chief Executive Officer

A - Fixed compensation

The Chief Executive Officer receives fixed annual compensation within the limit of the Ceiling.

The amount of this fixed component is determined on the basis of personal criteria (including work history, experience, length of service and responsibilities), industry-specific criteria, and criteria related to the general economic environment and the Company's public shareholding position.

Philippe Knoche, Chief Executive Officer, benefits from fixed annual compensation of 420,000 euros as from the date of the decision of the Board of Directors, meeting on July 27, 2017, and for the remainder of his term of office.

This decision was approved on September 7, 2017 by the Minister of the Economy and Finance in accordance with Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the French state's control of domestic public-sector companies and certain organizations with an economic or social purpose.

B - Variable compensation

Performance-linked variable compensation may be paid to the Chief Executive Officer in addition to his fixed compensation, within the limit of the Ceiling.

Every year, the Board of Directors shall define the precise qualitative and quantitative criteria that will subsequently be used to determine the annual variable compensation.

Philippe Knoche, Chief Executive Officer, benefits from annual variable compensation capped at 30,000 euros, based on the achievement of quantitative (60%) and qualitative (40%) objectives approved for each financial year by the Board of Directors.

This decision was approved on September 7, 2017 by the Minister of the Economy and Finance in accordance with Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the French state's control of domestic public-sector companies and certain organizations with an economic or social purpose.

C- Exceptional compensation

In the interest of the group and its stakeholders, exceptional compensation may be paid to officers under specific circumstances. The payment of such compensation, within the limit of the Ceiling, must be justified and the reasons for such payment must be explained.

In all cases, such compensation must comply with the requirements of the Afep-Medef Code and the principles of reasonableness and proper balance between the various interests at stake.

Mr. Philippe Knoche, Chief Executive Officer, does not receive variable compensation.

D - Attendance fees

The General Meeting on July 27, 2017 was asked to approve the setting of the annual amount of attendance fees at 600,000 euros for the overall amount of attendance fees allocated to the members of the Board of Directors for the period starting on January 1, 2018 and ending at the close of the 2018 fiscal year; this amount will apply to each subsequent financial year until a new decision is adopted by the General Meeting.

This decision was approved on September 7, 2017 by the Minister of the Economy and Finance in accordance with Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the French state's control of domestic public-sector companies and certain organizations with an economic or social purpose.

The Chief Executive Officer may receive attendance fees in respect of his Director's duties, within the limit of the Ceiling.

E - Non-cash benefits

The Chief Executive Officer may receive a non-cash benefit in the form of a company vehicle. This non-cash benefit is not part of the capped compensation.

Mr. Philippe Knoche, Chief Executive Officer, benefits from an annual non-cash benefit in the form of a company vehicle valued at 4,488 euros.

F - Long-term compensation: free share allocation and allocation of share options

The allocation of performance shares or share options to officers is not allowed.

G - Severance payments

The Chief Executive Officer may be granted a severance payment capped at twice the total amount of his annual compensation on the date of cessation of his duties.

The Chief Executive Officer shall not be eligible for any severance payment if he (i) intends to claim his pension rights shortly after the ending of his term of office for whatever reason, even dismissal, or (ii) comes to hold another position within the Group.

The above-mentioned severance payment shall only be paid in the event of dismissal of the Chief Executive Officer, except for just cause.

The severance payment shall be subject to performance conditions, in accordance with the following criteria:

- if the rate of fulfillment of the quantitative and qualitative objectives set for the last two full fiscal years averages out to at least 60%, the severance payment shall automatically be paid;

- if the rate of fulfillment of the quantitative and qualitative objectives set for the last two full fiscal years averages out to less than 60%, the Board of Directors shall appraise the performance of the person in question in view of the circumstances that affected the operation of the company during the fiscal year ended.

The performance objectives shall be set every year by the Board of Directors.

Philippe Knoche, Chief Executive Officer, benefits from a severance payment meeting these criteria, it being specified that the quantitative and qualitative objectives taken into account in assessing the rate of achievement of the objectives will be:

- if the calculation is performed in 2018: the criteria approved by the Board of Directors of AREVA SA for financial years 2017 and 2016;

- if the calculation is performed in 2019: the criteria approved by the Board of Directors of AREVA SA for financial year 2017 and those approved by the Board of Directors of Orano for 2018.

This decision was approved on September 7, 2017 by the Minister of the Economy and Finance in accordance with Article 3 of Decree No. 53-707 of August 9, 1953 as amended concerning the control of the French State over domestic public sector companies and certain organizations with an economic or social purpose.

Moreover, the Board of Directors may decide to grant the Chief Executive Officer an indemnity in return for a non-competition clause. The amount of this indemnity shall be deducted from the amount of any severance payment that may be granted to the Chief Executive Officer under the above terms and conditions. In the absence of any severance payment, the amount of the non-competition indemnity shall be set by the Board of Directors in accordance with usual practices.

Mr. Philippe Knoche, Chief Executive Officer, does not benefit from a non-competition payment.

Such indemnities are not part of the capped compensation.

H - Other

Mr. Philippe Knoche, Chief Executive Officer is additionally entitled to:

- unemployment insurance as provided by the Medef scheme (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC) for which he pays part of the contributions;

- the supplemental retirement plan applicable to the Company's management personnel.

In respect of the foregoing, we invite you to approve the compensation policy concerning the Chairman of the Board of Directors and the Chief Executive Officer as presented in this report.

The Board of Directors of Orano

7.11 Independent Verifier's Report on the declaration of non-financial performance

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Orano

For the four months period ended December 31, 2017

Independent verifier's report on the consolidated non-financial statement included in the management report

ERNST & YOUNG et Associés

Orano

For the four months period ended December 31, 2017

Independent verifier's report on the consolidated non-financial statement included in the management report

To the shareholder,

In our quality as an independent verifier, accredited by the COFRAC[1] , under the number 3-1050, and as a member of the network of one of the statutory auditors of Orano, we hereby present our report on the consolidated non-financial statement for the accounting period ended December 31, 2017 (hereinafter referred to as the "Statement"), included in the management report of the company and integrated to the Annual activity report, pursuant to the provisions of the article L.225-102-1, R.225-105, and R.225-105-1 of the French Commercial code (Code de commerce).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a Statement in accordance with applicable laws and regulations, including a description of the undertaking's business model, a description of the principal non-financial risks, a presentation of the associated policies and their outcomes, and key performance indicators. The Statement is established in accordance with the protocols used by the company (hereinafter referred to as the "Criteria"), a summary of which is available on request at the company's headquarter.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession and the provisions of article L. 822-11-3 of the French Commercial code (Code de commerce). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

[1] Scope available at www.cofrac.fr

Responsibility of the independent verifier

It is our role, based on our works to express a limited assurance on:

- the compliance of the Statement with provisions of article R. 225-105 of the French Commercial code (Code de commerce) ;

- the fairness of the information presented, in accordance with paragraph 3° of I and II of article R. 225 105 of the French Commercial code, namely policies, actions, outcomes, and key performance indicators related to the principal non-financial risks (hereinafter referred to as the "Information").

It is not our role to express on:

- the compliance of the company with other applicable regulations, in particular, those laid down in article L. 225-102-4 of the French Commercial code (related to the duty of care), and in law 2016-1691 dated December 9, 2016 known as "Sapin II law" (related to the fight against corruption) ;

- the compliance of products and services with applicable regulations.

Nature and scope of the work

We conducted the work described below in accordance with the international standard ISAE 3000[2], the professional standards applicable in France, pending the update of the Order determining the conditions under which an independent verifier performs its mission.

The following tasks were achieved to assess the compliance of the Statement with applicable laws and regulations, and the fairness of the Information presented:

- We took note of the company organization ;

- We assessed the appropriateness of the Criteria as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the sector ;

- We verified the presentation in the management report of the required items, in particular the business model, the principal non-financial risks, the policies, actions and outcomes, the key performance indicators, and their overall consistency ;

- We verified that the Statement covers each required information, namely environmental and social consequences of activities, products and services, and matters related to respect for human rights, anti-corruption and bribery ;

- We assessed the process used to identify, prioritize, and validate the principal non-financial risks ;

- We verified that the Statement covers the consolidation scope, namely the entity and its subsidiaries under the meaning of the Article L.233-16 ;

- We verified the implementation by the company of a collection process seeking the completeness and consistency of policies, actions plan, outcomes, and key performance indicators, mentioned in the management report as required by article L. 225-102 ;

[2] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

- We consulted documentary sources and conducted interviews to corroborate the qualitative[3] information (organization, policies, actions, outcomes) that we considered to be the most significant ;

- We implemented on a selection of indicators[4] that we considered to be the most significant:

    - analytical procedures to verify the accurate compilation of data collected, and the consistency of their trends ;

    - test basis, on a sampling, in order to check the correct application of definitions and procedures, and to compare data reported with proof of evidence. These work were conducted at the level of a representative selection[5] of entities and cover between 14% and 58% of the consolidated indicators selected for these tests ;

- We assessed the overall consistency of the Statement with our understanding of the company.

We consider that the sample methods and the size of the samples that we considered, by exercising our professional judgment, allow us to express a limited assurance on the Statement; an assurance of a higher level would have required more extensive verification work.

Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the Statement cannot be entirely eliminated.

[3] Social qualitative information: employment (hiring and terminations), work conditions, and diversity and equality of treatment and opportunities (measures undertaken for gender equality).

Environmental and Societal qualitative information: measures to prevent environmental risks and pollution (including policy/procedure, environmental provisions), management of radioactive waste, relationship with third parties (communication, partnership and sponsorship actions), and loyalty (actions to prevent corruption).

[4] Social indicators: total headcount and breakdown, absenteeism rate, the proportion of female managers, and frequency and severity rates of work related accidents.

Environmental and Societal indicators: number of sites ISO 14001 certified, energy and water consumptions, greenhouse gas emissions, conventional waste production, volatile organic compound (VOC) emissions, and exposure to ionizing radiation.

[5] AREVA NC Pierrelatte, SET, SOCATRI, AREVA TEMIS, KATCO, BESSINES, SOMAIR

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the Statement is not compliant with applicable provisions and that Information taken together have not been presented sincerely in compliance with the Criteria.

Comment

Without calling into question the above conclusion, our works lead us to express the following comment about the Statement, in regards to practices and the professional standards:

- the process to prioritize the principal risks is not presented.

Paris-La Défense, March 28, 2018

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Christophe Schmeitzky
Partner, Sustainable Development

Bruno Perrin
Partner

7.12 **Financial glossary**

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 (a) the projected sales revenue from the contract at completion and (b) 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 operations sold, discontinued and held for sale, and cash flow from the sale 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.

Net cash flow from company operations thus corresponds to changes in net debt (i) with the exception of transactions with Orano SA shareholders, accrued interest not yet due for the financial year and currency translation adjustments, and (ii) including accrued interest not yet due for the financial year N-1.

Operating cash flow (OCF):

Operating cash flow (OCF) represents the amount of 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 on disposals of property, plant and equipment and intangible assets included in operating income;
- 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 property, plant and equipment 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 all short and long-term borrowings, less cash and cash equivalents, financial instruments recorded on the assets side of the balance sheet including borrowings, bank deposits constituted for margin calls on derivative instruments and collateral backed by structured financing.

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:

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