# Condensed half-yearly consolidated financial statements

# Orano

# June 30, 2018

## CONSOLIDATED STATEMENT OF INCOME

| *(in millions of euros)* | ***Note*** | **1st half 2018 (**)** | **1st half 2017 (*)** |
|---|---|---|---|
| **Revenue** | | **1,713** | **1,794** |
| Cost of sales | | (1,425) | (1,441) |
| **Gross margin** | | **288** | **353** |
| Research and development expenses | | (44) | (41) |
| Marketing and sales expenses | | (16) | (26) |
| General expenses | | (35) | (61) |
| Other operating expenses | ***3*** | (39) | (276) |
| Other operating income | ***3*** | 10 | 30 |
| **Operating income** | | **163** | **(21)** |
| Share in net income of joint ventures and associates | ***9*** | (4) | 9 |
| **Operating income after share in net income of joint ventures and associates** | | **159** | **(11)** |
| Income from cash and cash equivalents | | 13 | 7 |
| Gross borrowing costs | | (78) | (113) |
| **Net borrowing costs** | | **(65)** | **(106)** |
| Other financial expenses | | (390) | (245) |
| Other financial income | | 113 | 230 |
| **Other financial income and expenses** | | **(277)** | **(15)** |
| **Net financial income** | ***5*** | **(342)** | **(121)** |
| **Income tax** | ***6*** | **(27)** | **(57)** |
| **Net income from continuing operations** | | **(210)** | **(190)** |
| Net income after tax from operations sold, discontinued or held for sale | | - | (2) |
| **Net income** | | **(210)** | **(192)** |
| **Net income attributable to owners of the parent** | | **(205)** | **(154)** |
| **Net income attributable to minority interests** | | **(5)** | **(38)** |

*(*) In accordance with IFRS 15, the comparative data for 2017 have been restated since the data published in the 2017 financial statements. The impacts of the resulting restatements are described in Note 22.*
*(**) Application of IFRS 9 from January 1, 2018.*

## CONSOLIDATED COMPREHENSIVE INCOME

| *(in millions of euros)* | 1st half 2018 (**) | 1st half 2017 (*) |
|---|---|---|
| **Net income** | **(210)** | **(192)** |
| **Items of comprehensive income not recyclable to the statement of income** | **2** | **43** |
| Actuarial gains and losses on the employee benefits of consolidated companies | (3) | 42 |
| Income tax related to non-recyclable items | (0) | 0 |
| Share of other non-recyclable items of comprehensive income from joint ventures and associates, net of tax | 5 | (0) |
| Non-recyclable items related to sold, discontinued or held-for-sale operations, net of tax | - | - |
| **Items of comprehensive income recyclable to the statement of income** | **(87)** | **81** |
| Currency translation adjustments of consolidated companies | 6 | (132) |
| Change in value of available-for-sale financial assets | - | 37 |
| Change in value of cash flow hedges | (103) | 190 |
| Income tax related to recyclable items | 10 | (14) |
| Share of other recyclable items of comprehensive income 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)** | **(85)** | **123** |
| **Comprehensive income** | **(294)** | **(68)** |
| - Attributable to owners of the parent | (289) | (24) |
| - Attributable to minority interests | (5) | (45) |

*(*) In accordance with IFRS 15, the comparative data for 2017 have been restated since the data published in the 2017 financial statements. The impacts of the resulting restatements are described in Note 22.*
*(**) Application of IFRS 9 from January 1, 2018.*

## ASSETS

| *(in millions of euros)* | ***Note*** | **June 30, 2018 (**)** | **December 31, 2017 (*)** |
|---|---|---|---|
| **Non-current assets** | | **17,983** | **17,973** |
| Goodwill on consolidated companies | ***7*** | 1,214 | 1,193 |
| Intangible assets | ***7*** | 1,291 | 1,339 |
| Property, plant and equipment | ***7*** | 8,024 | 7,952 |
| End-of-lifecycle assets (third party share) | ***8*** | 146 | 153 |
| Financial assets earmarked for end-of-lifecycle operations | ***8*** | 7,062 | 7,112 |
| Investments in joint ventures and associates | ***9*** | 4 | 10 |
| Other non-current assets | ***10*** | 150 | 114 |
| Deferred tax assets | ***6*** | 91 | 101 |
| **Current assets** | | **5,502** | **5,010** |
| Inventories and work-in-process | | 1,451 | 1,258 |
| Trade accounts receivable and related accounts | | 795 | 789 |
| Other operating receivables | | 785 | 791 |
| Other non-operating receivables | | 51 | 57 |
| Current tax assets | | 74 | 98 |
| Other current financial assets | ***10*** | 423 | 67 |
| Cash and cash equivalents | ***11*** | 1,922 | 1,950 |
| **Total assets** | | **23,485** | **22,983** |

*(*) In accordance with IFRS 15, the comparative data for 2017 have been restated since the data published in the 2017 financial statements. The impacts of the resulting restatements are described in Note 22.*
*(**) Application of IFRS 9 from January 1, 2018.*

## LIABILITIES AND EQUITY

| *(in millions of euros)* | ***Note*** | **June 30, 2018 (**)** | **December 31, 2017 (*)** |
|---|---|---|---|
| **Equity and minority interests** | | **1,055** | **838** |
| Capital | | 132 | 119 |
| Consolidated premiums and reserves | | 1,360 | 850 |
| Actuarial gains and losses on employee benefits | | (162) | (164) |
| Deferred unrealized gains and losses on financial instruments | | (3) | 305 |
| Currency translation reserves | | (72) | (79) |
| **Equity attributable to owners of the parent** | | **1,255** | **1,031** |
| Minority interests | | (200) | (192) |
| **Non-current liabilities** | | **14,124** | **13,963** |
| Employee benefits | ***13*** | 1,365 | 1,382 |
| Provisions for end-of-lifecycle operations | ***8*** | 7,786 | 7,545 |
| Other non-current provisions | ***14*** | 265 | 270 |
| Share in negative net equity of joint ventures and associates | ***9*** | 46 | 57 |
| Long-term borrowings | ***15*** | 4,663 | 4,676 |
| Deferred tax liabilities | ***6*** | 0 | 33 |
| **Current liabilities** | | **8,306** | **8,182** |
| Current provisions | ***14*** | 1,770 | 1,716 |
| Short-term borrowings | ***15*** | 300 | 429 |
| Advances and prepayments received | | 3,737 | 3,679 |
| Trade accounts payable and related accounts | | 643 | 564 |
| Other operating liabilities | | 1,817 | 1,701 |
| Other non-operating liabilities | | 11 | 66 |
| Current tax liabilities | | 28 | 27 |
| **Total liabilities and equity** | | **23,485** | **22,983** |

*(*) In accordance with IFRS 15, the comparative data for 2017 have been restated since the data published in the 2017 financial statements. The impacts of the resulting restatements are described in Note 22.*
*(**) Application of IFRS 9 from January 1, 2018.*

## STATEMENT OF CONSOLIDATED CASH FLOWS

| *(in millions of euros)* | 1st half 2018 (**) | 1st half 2017 (*) |
|---|---|---|
| **Net income for the period** | **(210)** | **(192)** |
| Less: income from operations sold, discontinued or held for sale | - | 2 |
| **Net income from continuing operations** | **(210)** | **(190)** |
| Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months | 245 | 514 |
| Goodwill impairment | - | - |
| Net increase in (reversal of) provisions | (76) | (114) |
| Net effect of unwinding of assets and provisions | 269 | 173 |
| Income tax expense (current and deferred) | 27 | 57 |
| Net interest included in borrowing costs | 79 | 109 |
| Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value | 79 | (88) |
| Other non-cash items | (45) | 3 |
| (Profit) / loss of joint ventures and associates | 4 | (9) |
| Dividends from joint ventures and associates and share of earnings from consortia | (5) | - |
| **Cash flow from operations before interest and taxes** | **366** | **456** |
| Net interest received (paid) | (97) | (71) |
| Income tax paid | (11) | (227) |
| **Cash flow from operations after interest and tax** | **259** | **158** |
| Change in working capital requirement | (43) | (202) |
| **NET CASH FROM OPERATING ACTIVITIES** | **215** | **(44)** |
| Investment in PP&E and intangible assets | (209) | (197) |
| Loans granted and acquisitions of financial assets | (726) | (756) |
| Acquisitions of cash management financial assets | (349) | - |
| Acquisitions of shares of consolidated companies, net of acquired cash | - | (59) |
| Disposals of PP&E and intangible assets | 4 | 3 |
| Loan repayments and disposals of financial assets | 689 | 719 |
| Disposals of shares of consolidated companies, net of disposed cash | - | 4 |
| **NET CASH FLOW FROM INVESTING ACTIVITIES** | **(591)** | **(287)** |
| Capital increases of the parent company | 499 | - |
| Transactions with minority interests | - | (95) |
| Dividends paid to minority shareholders of consolidated companies | (61) | (17) |
| Increase in borrowings (see Note 15) | 4 | (18) |
| Reduction in borrowings (see Note 15) | (23) | 0 |
| Change in other borrowings (see Note 15) | (68) | (5) |
| **NET CASH FLOW FROM FINANCING ACTIVITIES** | **351** | **(135)** |
| Impact of foreign exchange movements | (2) | (10) |
| Net cash generated by operations sold, discontinued or held for sale | - | 2 |
| **CHANGE IN NET CASH** | **(26)** | **(474)** |
| **Net cash at the beginning of the period** | **1,877** | **1,382** |
| Net cash at the end of the period (see Note 11) | 1,922 | 1,079 |
| Less: short-term bank facilities and current accounts in credit (see Note 15) | (72) | (170) |
| Net cash from operations held for sale | - | 0 |
| **Net cash at the end of the period** | **1,850** | **908** |

*(*) In accordance with IFRS 15, the comparative data for 2017 have been restated since the data published in the 2017 financial statements. The impacts of the resulting restatements are described in Note 22.*
*(**) Application of IFRS 9 from January 1, 2018.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(in millions of euros)* | Number of shares outstanding | Capital | Premiums and Reserves | Actuarial gains and losses on employee benefits | Deferred unrealized gains and losses on financial instruments | Currency translation reserves | **Total equity attributable to owners of the parent** | Minority interests | **Total equity and minority interests** |
|---|---|---|---|---|---|---|---|---|---|
| **JANUARY1, 2017 (*)** | **105,661,110** | **53** | **(1,250)** | **(157)** | **136** | **112** | **(1,107)** | **(40)** | **(1,147)** |
| First-half 2017 net income (*) | | | (154) | | | | (154) | (38) | (192) |
| Other items of comprehensive income | | | | 43 | 212 | (125) | 130 | (7) | 123 |
| **Comprehensive income** | | | **(154)** | **43** | **212** | **(125)** | **(24)** | **(45)** | **(68)** |
| Dividends paid | | | | | | | | (32) | (32) |
| Transactions with companies under joint control (**) | | | (60) | | | | (60) | | (60) |
| **JUNE 30, 2017 (*)** | **105,661,110** | **53** | **(1,464)** | **(115)** | **348** | **(12)** | **(1,190)** | **(116)** | **(1,307)** |
| **JANUARY1, 2018 (***)** | **237,737,500** | **119** | **1,079** | **(164)** | **90** | **(79)** | **1,045** | **(192)** | **853** |
| First-half 2018 net income | | | (205) | | | | (205) | (5) | (210) |
| Other items of comprehensive income | | | | 2 | (93) | 7 | (84) | (0) | (85) |
| **Comprehensive income** | | | **(205)** | **2** | **(93)** | **7** | **(289)** | **(5)** | **(294)** |
| Dividends paid | | | | | | | | (3) | (3) |
| Other transactions with shareholders (**) | 26,415,278 | 13 | 486 | | | | 499 | - | 499 |
| **JUNE 30, 2018** | **264,152,778** | **132** | **1,360** | **(162)** | **(3)** | **(72)** | **1,255** | **(200)** | **1,055** |

*(*) In accordance with IFRS 15, the comparative data for 2017 have been restated since the data published in the 2017 financial statements. The impacts of the resulting restatements are described in Note 22.*
*(**) see Note 12*

*(***) Application of IFRS 9 from January 1, 2018 (see Note 2).*

## OPERATING SEGMENTS

**BY BUSINESS SEGMENT**

### 1st half 2018

| (in millions of euros) | Mining | Front End | Back End | Corporate, other operations and eliminations | Total |
|---|---|---|---|---|---|
| Gross revenue | **557** | **307** | **891** | **(42)** | **1,713** |
| Inter-segment sales | (2) | (19) | (29) | 50 | - |
| **Contribution to consolidated revenue** | **555** | **288** | **862** | **8** | **1,713** |
| | | | | | |
| **Operating income** | **226** | **(58)** | **41** | **(46)** | **163** |
| (Profit)/loss of joint ventures and associates | - | - | - | (4) | (4) |
| Net financial income | - | - | - | (342) | (342) |
| Income tax | - | - | - | (27) | (27) |
| **Net income** | **-** | **-** | **-** | **(210)** | **(210)** |
| | | | | | |
| **EBITDA (*)** | **323** | **33** | **151** | **(77)** | **429** |
| *% of gross revenue* | *58.0%* | *10.8%* | *16.9%* | *n.a.* | *25.1%* |

*(*) see Note 4*

In the first half of 2018, the group derived approximately 37% of its revenue from EDF.

### 1st half 2017

| (in millions of euros) | Mining | Front end | Back End (**) | Corporate, other operations and eliminations (**) | Total |
|---|---|---|---|---|---|
| Gross revenue | **629** | **333** | **928** | **(96)** | **1,794** |
| Inter-segment sales | (3) | (3) | (105) | 110 | - |
| **Contribution to consolidated revenue** | **627** | **330** | **823** | **14** | **1,794** |
| | | | | | |
| **Operating income** | **125** | **6** | **14** | **(166)** | **(21)** |
| (Profit)/loss of joint ventures and associates | - | - | - | 9 | 9 |
| Net financial income | - | - | - | (121) | (121) |
| Income tax | - | - | - | (57) | (57) |
| Net income from operations sold or held for sale | - | - | - | (2) | (2) |
| **Net income** | **-** | **-** | **-** | **(192)** | **(192)** |
| | | | | | |
| **EBITDA (*)** | **338** | **139** | **96** | **(97)** | **476** |
| *% of gross revenue* | *53.7%* | *41.7%* | *10.3%* | *n.a.* | *26.5%* |

*(*) see Note 4*
*(**) Since January 1, 2018, the Project activity has been housed in the Back End segment, and is no longer reported under “Corporate and other operations.” As a result, the 2017 data have been restated.*

In the first half of 2017, the group derived approximately 38% of its revenue from EDF.

Revenue is recorded using the completion method for the Mining and Front End segments, and the percentage-of-completion method for the Back End segment.

**CONTRIBUTION TO CONSOLIDATED REVENUE BY BUSINESS SEGMENT AND CUSTOMER LOCATION**

### 1st half 2018

| (in millions of euros) | Mining | Front End | Back End | Other | Total |
|---|---|---|---|---|---|
| France | 151 | 158 | 530 | 7 | **846** |
| Europe (excluding France) | 55 | 30 | 76 | 0 | **161** |
| North & South America | 88 | 40 | 110 | 0 | **238** |
| Asia-Pacific | 249 | 60 | 145 | 0 | **453** |
| Africa and Middle East | 12 | 0 | 2 | 0 | **14** |
| **Total** | **555** | **288** | **862** | **8** | **1,713** |

### 1st half 2017

| (in millions of euros) | Mining | Front end | Back End (*) | Other (*) | Total |
|---|---|---|---|---|---|
| France | 206 | 142 | 538 | 14 | **900** |
| Europe (excluding France) | 38 | 16 | 117 | 0 | **171** |
| North & South America | 78 | 105 | 125 | 0 | **308** |
| Asia-Pacific | 299 | 60 | 41 | 0 | **400** |
| Africa and Middle East | 6 | 7 | 2 | 0 | **15** |
| **Total** | **627** | **330** | **823** | **14** | **1,794** |

*(*) Since January 1, 2018, the Project activity has been housed in the Back End segment, and is no longer reported under "Corporate and other operations." As a result, the 2017 data have been restated.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO JUNE 30, 2018

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

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

### Constitution of the Orano group

In 2016, 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 engineering aspects of the 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.

As such, in this document, the terms "Orano SA" or the "Company" refer to the public limited company Orano. 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.

### Capital increases reserved for JNFL and MHI

Under the terms of the Investment Protocol and the draft Shareholders' Agreement dated March 13, 2017, and their riders 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.

The capital increases reserved for MHI and JNFL were carried out on February 26, 2018, using the funds placed in trust on July 26, 2017, at the time of the completion of the capital increase subscribed by the French State.

### Change in capital

Following the capital increases reserved for JNFL and MHI on February 26, 2018, Orano SA's shareholding structure was as follows: 45.2% for the French State, 4.8% for the CEA, 40% for AREVA SA, 5% for JNFL and 5% for MHI.

At the end of March 2018, AREVA SA transferred 10% of its Orano SA shares to Caisse des Dépôts et Consignations and a further 10% to Natixis, both acting as Trustees under a collateral and management trust agreement on behalf of certain lenders of AREVA SA.

Since the end of March 2018, Orano SA's shareholding structure has been as follows: 45.2% for the French State, 4.8% for the CEA, 20% for AREVA SA, 5% for JNFL and 5% for MHI, as well as 10% each for Caisse des Dépôts et Consignations and Natixis (as trustees).

In this context, the shareholders' agreement concluded on March 13, 2017 and amended on July 26, 2017 between the French State, AREVA SA, MHI, JNFL and the Company (and signed by the CEA, Caisse des Dépôts et Consignations and Natixis on their acquisition of their respective shares of the capital of Orano SA) has been the subject of several addenda including two riders signed respectively on February 21, 2018 and July 13, 2018 to take into account the realization of the transactions described above.

### Liquidity position

Orano confirms its objective of generating positive net cash flow from operations from the 2018 financial year.

Orano's short-term borrowings amounted to 300 million euros at June 30, 2018, including:

- the maturity in September 2018 of a bond of approximately 62 million euros, plus 78 million euros in interest;
- amortization of the loan backed by certain future revenues of the Georges Besse II enrichment plant in the amount of 54 million euros;
- short-term bank facilities and current accounts in credit in the total amount of 72 million euros.

Beyond the next 12 months, the first significant debt maturity is a 750 million euros bond due on November 6, 2019.

Orano had a gross cash position of 1,922 million euros at June 30, 2018 to meet these commitments and ensure the continuity of its operations over the longer term. This cash position has been strengthened since July 11, 2018 by a confirmed and undrawn syndicated credit facility of 780 million euros. The new facility, signed with a pool of nine international banks, has a term of three years, with two one-year extension options.

## NOTE 2 - ESTIMATES, JUDGMENTS AND ACCOUNTING PRINCIPLES

### 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:

- provisional margins on contracts recognized according to the percentage-of-completion method, 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 property, plant and equipment and intangible assets (see Note 7);
- all assumptions used to assess the value of provisions for end-of-lifecycle operations (see Note 8) and, where appropriate, the assets corresponding to the share funded by third parties, in particular:
  - the estimated costs of those operations,
  - the inflation and discount rates,
  - the schedule of future disbursements,
  - the operating life of the facilities,
  - the scenario chosen with regard to knowledge of the initial condition of the facilities, the target final condition, and 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, regarding all of the provisions and contingent liabilities of Orano;
- estimates and judgments relative to the recoverability of accounts receivable from the group's customers and other accounts receivable.

### Preparation of the financial statements

The consolidated financial statements for the six months to June 30, 2018, approved by the Board of Directors on July 26, 2018, were prepared in accordance with IAS 34 on interim financial reporting. Being condensed financial statements, they do not include all the disclosures required for full consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the consolidated financial statements prepared on a voluntary basis for the 12-month period ended December 31, 2017.

Specific methods related to the establishment of interim financial statements

- Orano applies the methodology laid down in IAS 34 to determine the tax expense for the interim period. It is calculated by applying the estimated average effective tax rate for the year to the pre-tax result of the period in question. However, a different tax rate is used for revenue categories subject to specific tax rates, such as gains on disposals of securities, which are subject to the rules bearing on long-term capital gains.

- The interim period expense related to retirement benefits and other employee benefits is calculated using the discount rate determined at December 31, 2017. In accordance with this method, Orano has calculated the expense for the first half of 2018 in respect of the cost of services rendered over the period, the accretion expense of the provision and the income reflecting the expected return on hedging assets using the discount rate applied for the year ended December 31, 2017, in accordance with IAS 19. Changes in actuarial assumptions taken into account for the measurement of social security liabilities at June 30, 2018 are recognized in "Other comprehensive income" for virtually their entire amount.

### Accounting principles

The accounting principles applied for the preparation of the condensed consolidated financial statements for the six months to June 30, 2018 are identical to those described in Note 1 of the notes to the consolidated financial statements for the year ended December 31, 2017, with the exception of IFRS 9 et IFRS 15, application of which has been mandatory since January 1, 2018. They have been prepared in accordance with IFRS, as published by the International Accounting Standards Board (IASB) and as adopted by the European Union as of June 30, 2018.

The relevant standards and interpretations as adopted in the European Union are available on the following website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

The group has not early adopted any standard, amendment or interpretation published by the IASB, the application of which was optional or not mandatory within the European Union as of June 30, 2018.

**IFRS 9 and IFRS 15, effective since January 1, 2018**

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” came into effect on January 1, 2018. It replaces IAS 39 “Financial Instruments: Recognition and Measurement.” It lays down new principles for the classification and measurement of financial instruments (Stage 1), the impairment of financial assets due to credit risk (Stage 2), and hedge (or micro-hedge) accounting (Stage 3). The retrospective application of this standard had no impact on the 2017 fiscal year, as its effects are recorded in equity at the beginning of the year of first application, i.e. on January 1, 2018.

*Classification and measurement*

IFRS 9 requires financial assets to be classified into one of three categories: amortized cost, fair value through profit or loss, or fair value through equity, depending on the entity’s business model and the characteristics of its contractual cash flows (“solely payments of principal and interest” criterion – SPPI).

Assets meeting the definition of debt instruments (contractual cash flows associated with interest payments and repayments of capital) are recognized:

- at amortized cost when the group holds them in order to collect all contractual cash flows;
- at fair value through profit or loss when the group holds them in order to sell them and realize a gain;
- at fair value through equity when the group holds them for the mixed purpose of collecting contractual cash flows and selling them (reclassifying the gain or loss in profit or loss on the date of the sale).

Assets meeting the definition of equity instruments (equities or equity mutual funds) are recognized at fair value through profit or loss, except when the group elects to recognize them irrevocably at fair value through equity (without reclassifying gains or losses in profit or loss).

As an exception to these principles, certain instruments may be recognized at fair value through profit or loss when this treatment makes it possible to offset a symmetrical position affecting the statement of income.

In Stage 1 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 mutual funds), and to classify all of its own earmarked securities in the “fair value through profit or loss” category.

Insofar as most of the securities portfolio earmarked for end-of-life operations is currently classified as available-for-sale financial assets in accordance with IAS 39 (and as such historically measured at fair value in the group's consolidated financial statements), the IFRS 9 impact on the classification of earmarked securities as of January 1, 2018 is confined to certain assets currently classified as held-to-maturity investments (and as such historically recorded at amortized cost in the group's financial statements) and which are now classified at fair value through profit or loss. The remeasurement of these assets at fair value had a positive impact of €15 million net of tax 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 classified in Deferred unrealized gains and losses on financial instruments at January 1, 2018 has been reclassified to equity as reserves in the amount of 215 million euros before tax.

Loans related to end-of-life operations are recognized at amortized cost.

At January 1, 2018, the breakdown of assets between financial and non-financial assets and the classification of financial assets in accordance with IFRS 9 were as follows:

***Assets***

| **Including** | | | | | |
|---|---|---|---|---|---|
| *(in millions of euros)* | **Net carrying amount** | **Non-financial assets and liabilities** | **Assets at amortized cost** | **Fair value recognized in profit or loss** | **Fair value through OCI** |
| **Non-current assets** | **7,241** | **29** | **1,225** | **5,987** | **-** |
| Financial assets earmarked for end-of-lifecycle operations (*) | 7,127 | | 1,198 | 5,929 | |
| Other non-current assets | 114 | 29 | 27 | 58 | |
| **Current assets** | **3,654** | **592** | **1,704** | **1,358** | **-** |
| Trade accounts receivable and related accounts | 789 | 90 | 698 | | |
| Other operating receivables | 791 | 453 | 198 | 139 | |
| Other non-operating receivables | 57 | 49 | 8 | | |
| Cash and cash equivalents | 1,950 | | 740 | 1,210 | |
| Other current financial assets | 67 | | 58 | 9 | |
| **Total assets** | **10,894** | **621** | **2,928** | **7,345** | **-** |

(*) including the +15 million euro adjustment related to the application of IFRS 9 from January 1, 2018 (see Note 22)

This table should be read in conjunction with Note 16.

*Impairment*

Stage 2 of the "Impairment" standard introduces a new credit risk impairment model based on expected credit losses. This model requires the recognition of 12-months expected credit losses on purchased or originated instruments (resulting from the risk of defaults in the next 12 months) at their initiation. Lifetime expected credit losses (resulting from default risk over the remaining life of the instrument) must be recognized when a significant increase in credit risk is recorded since initial recognition or in the case of short-term trade receivables. For the relevant financial assets, the group now determines the expected loss on the basis of (a) the probability of default, (b) the associated loss rate and (c) the amount of exposure at default.

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, depending on the case. The analyses performed, which covered all relevant financial assets, chiefly bonds, the receivable from the CEA and trade receivables recorded at amortized cost, showed the expected credit loss recorded at January 1, 2018 to be immaterial.

*Hedge accounting*

Stage 3 "Hedging," with optional application from January 1, 2018, 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 for 2018.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" came into force on January 1, 2018, retroactive to the beginning of the comparative half-year period. 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.

IFRS 15 applies to all contracts with customers, except those falling within the scope of other standards. It uses a single revenue recognition model for sales of goods, services and long-term contracts.

***IFRS 15 – Accounting principles***

The group operates in the various stages of the fuel cycle, offering the following products and services:

- supply of uranium concentrates (U3O8);
- provision of conversion and enrichment services or UF6 and enriched UF6;
- treatment-recycling services;
- operator engineering support services and dismantling of nuclear installations;
- transportation and storage logistics services and solutions, including cask design and manufacturing.

*Customer contracts and performance obligations*
Contracts with customers are analyzed to determine the performance requirements that constitute the basic unit of account for revenue recognition.

*Contract price*
The contract price is the amount of the consideration that Orano expects to receive in exchange for the goods and services transferred. It includes firm fixed items, as well as variable items in the proportion considered highly probable. Variable items include price revisions potentially resulting from indexing clauses or riders, and the potential effects of penalties or discounts, etc.

The contract price is restated in the event that one of the parties to the contract receives a significant financing benefit from the other party, i.e. when the combination of (i) the time difference between payment and the transfer of control of the goods and services referred to in the contract (i.e. recognition of revenue) and (ii) the interest rate applicable to an equivalent credit facility has a significant effect on the price of the contract negotiated by the parties. This restatement is equivalent to recognizing revenue on the basis of a transaction price reflecting the price that the customer would have paid for a spot transaction, i.e. net of any items relating to the financing terms. The adjustment determined on the contract price is recognized at the same time as revenue, while the financial expense or income is recognized in proportion to the change and amortization of the implied credit facility resulting from the terms of payment. The interest rate applied is the marginal financing rate that the party receiving the financing would have obtained from a financial institution if it had negotiated, on the day of the signature of the contract, a loan with similar characteristics to those of the implied financing granted.

*Allocation of the contract price to performance obligations*
The contract price is allocated to each performance obligation based on the proportions of the separate selling prices, generally in line with the terms of the contract.

*Recognition of revenue associated with each performance obligation*

Revenue is recognized when the company transfers control of the goods or services to the customer. In application of this principle, revenue is recognized:

- for concentrate supply contracts: on delivery of uranium concentrates to conversion sites designated by customers; delivery can be materialized by the physical delivery or the transfer from the material account held by Orano with the converter to the material account held by the customer with the same converter, which is known as a book transfer;
- for conversion (and enrichment) contracts: upon delivery of UF6 (enriched UF6); delivery can be materialized by the physical delivery or the transfer from the material account held by Orano to the material account held by the customer with the enricher (the assembler of the fuel);
- for treatment-recycling, transportation and storage services: as services are rendered; when the contract provides for a contribution by the customer to the financing of the construction of an asset necessary for the performance of the services covered by the contract, the revenue relating to the financing received is recognized in proportion to the percentage of completion of the underlying services over the useful life of the asset, except if the customer takes control of the asset built (in which case the revenue is recognized as and when the asset is built);
- for design and equipment manufacturing contracts that meet the customer's technical specifications: on the percentage of completion, except if the group does not have a sufficient right to payments for the services performed to date in the event of interruption of the contract prompted by a reason other than default by the group.

When revenue is recognized on a percentage-of-completion basis in the cases described above, the percentage of completion is determined by calculating the ratio of costs incurred to costs at completion. Revenue is recognized insofar as it is highly probable that it will not be subject to subsequent reversal.

***IFRS 15 – Impacts of adoption***

The application of IFRS 15 has resulted in changes in revenue recognition, mainly in relation to the following issues:

- Customer-financed investments: the funding received for investments was previously recognized in revenue over the period of construction of the assets. If the control of the financed asset is not transferred to the customer, 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. This change affects several contracts in the group's Back End segment.
- Significant financial components: the terms and conditions for recognizing and measuring financial components in accordance with IFRS 15 differ from the group's past practices: the basis of financing is determined by the difference between the rate of recognition of revenue and the pace of cash inflows (and no longer on the basis of the curve of the net cash derived from the contract), the interest rate applied is set at the date of signature of the contract (and not revised for each period) and the credit risk of the party receiving the financing is taken into account. The application of these principles has changed the recognition of the effect of the financial components on several of the group's Back End contracts.

The group has elected to use the full retrospective method in applying IFRS 15. The impact of the initial application of this standard on equity at the beginning of the comparative period, as well as the statement of income and the statement of comprehensive income for the first half of 2017 is described in Note 22.

**Other standards, amendments and interpretations effective since January 1, 2018**

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration": 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.
- the 2014-2016 annual improvements related to IFRS 1 (Removal of short-term exemptions for first-time adopters) and IAS 28 (Measurement of each investment separately in issuing entities at fair value through profit or loss.)

The amendments and interpretations that are mandatory from January 1, 2018 did not have a material impact on the group's consolidated financial statements.

Moreover, the amendments to IAS 40 "Investment Property," IFRS 2 "Share-based Payment" and IFRS 4 "Insurance Contracts" are not applicable to the group.

**New standards and interpretations adopted by the European Union that do not yet have a mandatory effective date and have not been applied early**

- 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 is not considering applying the simplified transition method.
- The amendments to IFRS 9 relating to early redemption clauses with a symmetrical penalty, adopted by the European Union on March 22, 2018, are mandatory for financial years beginning on or after January 1, 2019.

## NOTE 3 - OTHER OPERATING INCOME AND EXPENSES

**Other operating expenses**

| *(in millions of euros)* | 1st half 2018 | 1st half 2017 |
|---|---|---|
| Restructuring and early retirement plan costs | (5) | (17) |
| Goodwill impairment | - | - |
| Impairment of other assets | (4) | (225) |
| Income on disposals of assets other than financial assets | (1) | (3) |
| Other expenses | (29) | (30) |
| **Total other operating expenses** | **(39)** | **(276)** |

**Other operating income**

| *(in millions of euros)* | 1st half 2018 | 1st half 2017 |
|---|---|---|
| Income on sales of non-financial assets | 5 | 5 |
| Other income | 5 | 25 |
| **Total other operating income** | **10** | **30** |

Impairment of goodwill and other assets is described in Note 7.

At June 30, 2018, other operating expenses included 12 million euros (unchanged from June 30, 2017) in charges related to the postponement of the start-up work on the Imouraren and Trekkopje mines, and infrastructure maintenance.

At June 30, 2017, other income included the reversal of a provision for a supply and services contract with ETC in the amount of 17 million euros.

## NOTE 4 - RECONCILIATION BETWEEN OPERATING INCOME AND EBITDA

| *(in millions of euros)* | 1st half 2018 | 1st half 2017 |
|---|---|---|
| **Operating income** | **163** | **(21)** |
| Net increase in depreciation and impairment of intangible assets, net of reversals | 53 | 74 |
| Net increase in depreciation and impairment of property, plant and equipment, net of reversals | 193 | 434 |
| Impairment of current assets, net of reversals | 4 | 7 |
| Provisions, net of reversals(*) | (74) | (115) |
| Investment subsidies recognized through profit and loss | - | - |
| Costs of end-of-lifecycle operations performed | 91 | 97 |
| **EBITDA** | **429** | **476** |

(*) including increases and reversals of provisions for employee benefits

## NOTE 5 - NET FINANCIAL INCOME

**Gross borrowing costs**

Gross borrowing costs at the end of June 2018 include the interest expense on bond debt in the amount of 78 million euros (vs. 98 million euros at June 30, 2017).

**Other financial income and expenses**

| *(in millions of euros)* | 1st half 2018 | 1st half 2017 |
|---|---|---|
| Change in fair value through profit or loss of securities earmarked for end-of-lifecycle operations (*) | (82) | - |
| Gain or loss disposal of securities earmarked for end-of-lifecycle operations (*) | - | 88 |
| Dividends received | 92 | 106 |
| Income from receivables and from accretion of hedging assets | 12 | 24 |
| Effect of schedule revisions and changes in assumptions | (67) | 1 |
| Unwinding expenses on end-of-lifecycle operations | (148) | (139) |
| ***Share related to end-of-lifecycle operations*** | ***(193)*** | ***80*** |
| Foreign exchange gain (loss) | 7 | (7) |
| Change in fair value through profit or loss of non-earmarked securities (*) | (1) | - |
| Impairment of financial assets | - | (8) |
| Interest on advances | (25) | (19) |
| Financial income from pensions and other employee benefits | (10) | (11) |
| Debt accretion expenses and other provisions | (46) | (27) |
| Other financial expenses | (11) | (35) |
| Other financial income | 1 | 11 |
| ***Share not related to end-of-lifecycle operations*** | ***(84)*** | ***(95)*** |
| **Other financial income and expenses** | **(277)** | **(15)** |

*(*) Application of IFRS 9 from January 1, 2018 (see Note 2)*

Other financial expense consists chiefly of premiums/discounts on financial hedging instruments.

## NOTE 6 - TAXES

The tax expense amounted to 27 million euros in the first half of 2018.

The tax expense for the first half of 2018 was calculated by applying the expected effective tax rate for the year to the pre-tax income of each tax jurisdiction, excluding the sale of securities for the period.

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

### GOODWILL

| *(in millions of euros)* | **December 31, 2017** | Increase | Disposals | Impairment | Currency translation adjustments and other | **June 30, 2018** |
|---|---|---|---|---|---|---|
| Mining | 805 | | | | 22 | **826** |
| Front end | 161 | | | | **-** | **161** |
| Back End | 227 | | | | - | **227** |
| **TOTAL** | **1,193** | | | | **22** | **1,214** |

**Mining**

In view of the sensitivity of the result to market indicators, goodwill impairment testing of the group of Mining CGUs was carried out as of June 30, 2018.

The recoverable amount of the group of Mining CGUs 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. Future cash flows have been determined using the projected price curve established by Orano. The value in use is determined by discounting estimated future cash flows per mine at rates between 7.9% and 12.0% depending on the location of the mines in question (between 7.5% and 12.0% at December 31, 2017) and using a euro/US dollar exchange rate of 1.17 at June 30, 2018 (1.20 at December 31, 2017).

The result of this test was higher than the net carrying amount and therefore does not result in goodwill impairment.

The result 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 group of Mining CGUs would fall by the following amounts if any of these assumptions were used:

- a discount rate of 50 basis points higher: 97 million euros;
- a euro/US dollar exchange rate of 5 euro cents higher (i.e. 1.22 instead of 1.17): 235 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: 431 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 result in impairment of the goodwill of the group of Mining CGUs.

**Front end**

In the Front End segment, goodwill is housed in the Enrichment CGU. In view of the sensitivity of the result to market indicators, impairment testing of the Enrichment CGU was performed using a discount rate of 6.70% (unchanged vs. December 31, 2017), a euro/US dollar exchange rate of 1.17 corresponding to the closing rate on June 30, 2018 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 June 30, 2018.

The result is sensitive to the discount rate, the exchange rate, and 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: 248 million euros;
- a euro/US dollar exchange rate of 5 euro cents higher (i.e. 1.22 instead of 1.17): 170 million euros;
- selling price assumptions US$1 per SWU below Orano's projected price curves: 30 million euros.

The last two adverse assumptions would result in a partial impairment of goodwill.

## NET INTANGIBLE ASSETS

| *(in millions of euros)* | **December 31, 2017** | Increase | Disposals | Net increase in depreciation/impairment | Other changes | Currency translation adjustments | **June 30, 2018** |
|---|---|---|---|---|---|---|---|
| Pre-mining expenses | 784 | 7 | - | (*) (39) | 4 | (16) | **741** |
| R&D expenses | 61 | 5 | - | 0 | - | (1) | **65** |
| Mineral rights | 0 | - | 0 | 0 | - | - | **0** |
| Concessions & brevets | 325 | - | - | (4) | 1 | 0 | **321** |
| Software | 34 | 0 | 0 | (2) | 1 | 0 | **33** |
| Other | 78 | 0 | - | (8) | 0 | - | **71** |
| In progress | 56 | 8 | - | 0 | (5) | 0 | **59** |
| **TOTAL** | **1,339** | **20** | **0** | **(53)** | **1** | **(16)** | **1,291** |

(*) Including 4 million euros in impairment losses, recognized in the first half

## NET PROPERTY, PLANT AND EQUIPMENT

| *(in millions of euros)* | **December 31, 2017** | Increase | Disposals | Net increase in depreciation/impairment (*) | Other changes | Currency translation adjustments | **June 30, 2018** |
|---|---|---|---|---|---|---|---|
| Land | 74 | - | - | - | - | (1) | **73** |
| Buildings | 894 | 2 | - | (23) | 14 | (3) | **884** |
| Plant, equipment and tooling | 5,301 | 7 | (1) | (147) | 75 | (8) | **5,228** |
| End-of-life cycle assets | 509 | - | - | (12) | 89 | - | **585** |
| Other | 271 | 1 | - | (9) | (2) | (1) | **259** |
| In progress | 903 | 188 | (5) | (1) | (89) | (2) | **995** |
| **TOTAL** | **7,952** | **198** | **(6)** | **(193)** | **86** | **(14)** | **8,024** |

(*) No impairment loss was recognized in the first half

In view of the sensitivity of the result to market indicators, goodwill impairment testing of the mining and industrial assets was carried out as of June 30, 2018.

**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.

The value in use of the desalination plant was tested separately from that of the mining infrastructure. It was determined on the basis of its business plan discounted at a rate of 8.50% (unchanged vs. December 31, 2017).

The carrying amount of the intangible assets and property, plant and equipment of the mine was impaired in the amount of 4 million euros at June 30, 2018, based on fair value measured using 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 193 million euros (compared with 197 million euros at December 31, 2017).

**COMURHEX II PLANT**

The value in use of property, plant and equipment under construction was measured at June 30, 2018 using a discount rate of 6.70% (unchanged vs. December 31, 2017), a euro/US dollar exchange rate of 1.17 corresponding to the closing rate on June 30, 2018 (vs. 1.20 at December 31, 2017) and conversion unit selling price assumptions resulting from Orano's analysis of medium- to long-term supply and demand trends. The testing carried out as of June 30, 2018 did not result in the recognition of impairment.

The result of the testing is sensitive to the assumptions used. Sensitivity analysis was carried out after increasing the discount rate by 50 basis points (i.e. 7.2% as opposed to 6.7%), increasing the euro/US dollar exchange rate by 5 cents (i.e. 1.22 as opposed to 1.17) and reducing selling price assumptions per kilogram of converted uranium by $1 in relation to Orano's projected price curves over the entire period of the business plans. Taken individually, these assumptions would not result in the recognition of any impairment on this industrial asset.

**GEORGES BESSE II PLANT**

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, 2017), a euro/US dollar exchange rate of 1.17 corresponding to the closing rate on June 30, 2018 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 June 30, 2018.

Sensitivity analysis performed on the same parameters as for the Enrichment CGU shows that the result is sensitive to discount rate, exchange rate and long-term selling price assumptions. Taken individually, these sensitivity assumptions would not result in the recognition of any impairment loss on this industrial asset.

## NOTE 8 - END-OF-LIFECYCLE OPERATIONS

### PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS

| *(in millions of euros)* | **Amounts at December 31, 2017** | **Reversal (when risk has materialized)** | **Acc-retion** | **Change in assumptions, revised budgets, etc.** | **Amounts at June 30, 2018** |
|---|---|---|---|---|---|
| Provisions for end-of-lifecycle operations (legal*) | 7,276 | (85) | 143 | 146 | **7,480** |
| Provisions for end-of-lifecycle operations (other than legal*) | 269 | (6) | 5 | 38 | **306** |
| **PROVISIONS FOR END-OF-LIFECYCLE OPERATIONS** | **7,545** | **(91)** | **148** | **184** | **7,786** |

*(*) scope of application of the Act of June 28, 2006*

Reversals of used provisions in the amount of (91) million euros at June 30, 2018 correspond to the dismantling expenses incurred by the group.

Changes in assumptions, revisions of estimates and other changes in the positive amount of 184 million euros include:

- the impact of the change in the discount rate in the positive amount of 157 million euros (of which 152 million euros in legal provisions), breaking down as 90 million euros for asset decommissioning and 67 million euros in financial income;
- expenditure on work carried out on third-party facilities in the amount of (10) million euros;
- changes in estimates in the amount of 37 million euros, relating chiefly to changes in the transport packaging fleet.

**Discount rate**

For the facilities located in France, Orano has assumed a long-term inflation rate of 1.70% (vs. 1.65% at December 31, 2017) and applied a discount rate of 4.05% (vs. 4.10% at December 31, 2017) in testing conducted as of June 30, 2018.

At this date, a change in the discount rate compared with the rate used (4.05%) would result in changes in the value of provisions for end-of-life operations in the amounts of (397) million euros with a 25bp increase in the rate and 377 million euros with a 25bp reduction.

**END-OF-LIFECYCLE ASSETS**

End-of-lifecycle assets include two items:

- the group's share of end-of-lifecycle assets classified under property, plant and equipment in the statement of financial position (see Note 7);
- the third-party share of end-of-lifecycle assets described in this note.

| *(in millions of euros)* | Net carrying amount at December 31, 2017 | Decrease from period expense | Acc-retion | Change in assumptions, revised budgets, etc. | Net carrying amount at June 30, 2018 |
|---|---|---|---|---|---|
| **TOTAL THIRD-PARTY SHARE** | **153** | **(11)** | **3** | **1** | **146** |

The third-party share remaining in the end-of-lifecycle assets corresponds to the funding expected from third parties contributing to the dismantling of certain facilities.

The discount rate used for the third-party share of end-of-lifecycle assets is identical to that used to calculate provisions for end-of-lifecycle operations.

**ASSETS EARMARKED FOR END-OF-LIFECYCLE OPERATIONS**

| *(in millions of euros)* | **June 30, 2018** | **December 31, 2017** |
|---|---|---|
| Receivables related to end-of-lifecycle operations | 753 | 744 |
| Portfolio of earmarked securities | 6,309 | 6,368 |
| **Total** | **7,062** | **7,112** |

Receivables related to end-of-lifecycle operations correspond principally to receivables resulting from the signature of a contract in December 2004 (modified in 2015) under which the CEA agreed to fund a share of facility dismantling costs at the La Hague and Cadarache plants and a share of waste retrieval and packaging costs at the UP2-400 plant.

At 30 June, 2018, 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 97.1% of end-of-lifecycle liabilities.

## NOTE 9 - INFORMATION ON JOINT VENTURES AND ASSOCIATES

**ASSETS**

At June 30, 2018, stock in joint ventures consisted mainly of Cominak in the amount of 4 million euros (vs. 10 million euros at December 31, 2017).

**LIABILITIES**

The share of losses of joint ventures at June 30, 2018 breaks down as follows:

- ETC in the amount of 45 million euros (compared with 52 million euros at December 31, 2017),
- SI-nerGIE in the amount of 1 million euros (compared with 5 million euros at December 31, 2017).

**STATEMENT OF INCOME**

The share of income of the main joint ventures in the six months to June 30, 2018 breaks down as follows:

- Cominak in the amount of (5) million euros (compared with (3) million euros at June 30, 2017);
- ETC in the amount of 3 million euros (compared with 12 million euros at June 30, 2017);
- SI-nerGIE in the amount of (1) million euros (creation in 2017).

## NOTE 10 - OTHER CURRENT AND NON-CURRENT ASSETS

| *(in millions of euros)* | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Derivatives on financing activities | 73 | 52 |
| Other | 77 | 62 |
| **Total other non-current assets** | **150** | **114** |
| Derivatives on financing activities | 2 | 9 |
| Pledged bank accounts | 73 | 58 |
| Cash management financial assets | 349 | - |
| **Total other current financial assets** | **423** | **67** |

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 (unchanged vs. December 31, 2017).

At June 30, 2018 and 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").

At June 30, 2018, cash management financial assets included money market and fixed income securities and units of UCITS invested in a short-term management timeframe that are easily mobilized and do not strictly meet the definition of cash equivalent given in IAS 7. These instruments were not used as of December 31, 2017.

## NOTE 11 - CASH AND CASH EQUIVALENTS

| *(in millions of euros)* | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Cash and current accounts | 755 | 740 |
| Cash equivalents | 1,167 | 1,210 |
| **Net amount** | **1,922** | **1,950** |

At June 30, 2018, cash and cash equivalents not immediately available to the group amounted to 81 million euros (vs. 57 million euros at December 31, 2017), chiefly reflecting regulatory restrictions in the amount of 52 million euros and legal restrictions in international markets in the amount of 28 million euros.

## NOTE 12 - SHAREHOLDERS' EQUITY

### Capital

Orano SA's share capital breaks down as follows:

| | June 30, 2018 | December 31, 2017 |
|---|---:|---:|
| French State | 45.16% | 50.16% |
| AREVA SA | 20.0% | 44.44% |
| Natixis (*) | 10.0% | - |
| Caisse des Dépôts et Consignations (*) | 10.0% | - |
| CEA | 4.84% | 5.4% |
| MHI | 5.0% | - |
| JNFL | 5.0% | - |
| **Total** | **100%** | **100%** |

(*) At the end of March 2018, AREVA SA transferred 10% of its Orano SA shares to Caisse des Dépôts et Consignations and a further 10% to Natixis, both acting as Trustees under a collateral and management trust agreement on behalf of certain lenders of AREVA SA.

### Other transactions with shareholders

On February 26, 2018, the Board of Directors of Orano SA noted the completion of the capital increase reserved for Japan Nuclear Fuel Limited (JNFL) and Mitsubishi Heavy Industries, Ltd. (MHI) in a total amount of 500 million euros (see Note 1).

### Transactions with companies under joint control

In the statement of changes in equity presented in the comparable data for the period ended June 30, 2017, transactions with companies under joint control were attributable chiefly to the acquisition of Orano Projets in the amount of 64 million euros and were recorded on the basis of historical carrying amounts as recorded in AREVA's consolidated financial statements.

## NOTE 13 - EMPLOYEE BENEFITS

The discount rate used to value the commitments at June 30, 2018 was 1.5% for the euro zone (unchanged vs. December 31, 2017) and 4.0% for the US dollar zone (vs. 3.25% at December 31, 2017).

### NET AMOUNT RECOGNIZED

| **June 30, 2018** *(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 | 334 | 315 | 7 | 779 | 48 | 1,483 |
| Fair value of plan assets | 0 | 1 | 0 | 74 | 44 | 118 |
| **Total defined benefit obligation** | **334** | **314** | **7** | **705** | **4** | **1,365** |

**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 December 31, 2017** | **332** | **315** | **7** | **802** | **51** | **1,506** |
| Current service cost | 4 | 7 | - | 9 | - | 20 |
| Past service costs (including plan changes and reductions) | - | - | - | - | - | - |
| Disposals / Liquidation / Plan reductions | - | - | - | - | - | - |
| Cost escalation | 3 | 2 | - | 6 | - | 11 |
| Benefits paid during the year | (4) | (9) | | (38) | (4) | (55) |
| Employee contributions | - | - | - | - | - | - |
| Mergers, acquisitions, transfers | - | - | - | - | - | - |
| Plan transfer | - | - | - | - | - | - |
| Actuarial differences | - | - | - | - | - | - |
| Currency translation adjustments | - | - | - | - | - | - |
| **Defined benefit obligation June 30, 2018** | **334** | **315** | **7** | **779** | **48** | **1,483** |

## NOTE 14 - OTHER PROVISIONS

| *(in millions of euros)* | **December 31, 2017** | Charges | Reversal (when risk has materialized) | Reversal (when risk has not materialized) | Other changes* | **June 30, 2018** |
|---|---|---|---|---|---|---|
| Restoration of mining sites and mill decommissioning | 270 | 1 | (4) | - | (3) | **265** |
| **Other non-current provisions** | **270** | **1** | **(4)** | **-** | **(3)** | **265** |
| Restructuring and layoff plans | 126 | - | (36) | - | - | **89** |
| Provisions for losses at completion | 99 | 62 | (20) | (12) | - | **128** |
| Accrued costs | 1,223 | 49 | (36) | - | 39 | **1,276** |
| Other provisions | 268 | 16 | (11) | (2) | 5 | **277** |
| **Current provisions** | **1,716** | **127** | **(103)** | **(14)** | **44** | **1,770** |
| **TOTAL PROVISIONS** | **1,986** | **129** | **(107)** | **(14)** | **41** | **2,034** |

* Including accretion expense amounting to 46 million euros

**PROVISIONS FOR LOSSES AT COMPLETION**

Spot price curves for the Front End activities continued to deteriorate in the first half of 2018. Significant orders for UTS and conversion units were taken, generating an additional provision for loss on completion of 54 million euros.

Moreover:

- the consumption of the provisions for loss on completion made in previous years relating to the enrichment business and the revision of the savings plan (2020-2030) resulted in the reversal of a provision in the amount of 19 million euros;
- a fall in the cost of inventories following the purchase of conversion volumes at market prices resulted in the reversal of a provision for loss on completion in the amount of 12 million euros.

**PROVISIONS FOR CONTRACT COMPLETION**

At June 30, 2018, these provisions represent ancillary services yet to be rendered (waste treatment and storage) in the Front End and Back End activities.

**OTHER CURRENT PROVISIONS**

At June 30, 2018, other current provisions include:

- provisions for disputes;
- provisions for customer guarantees;
- provisions for ongoing cleanup;
- provisions for contingencies;
- provisions for charges.

## NOTE 15 - BORROWINGS

| *(in millions of euros)* | Non-current liabilities | Short-term borrowings | **June 30, 2018** | **December 31, 2017** |
|---|---|---|---|---|
| Bond issues | 4,041 | 140 | **4,181** | 4,165 |
| Borrowings from lending institutions and commercial paper | 411 | 62 | **473** | 497 |
| Interest-bearing advances | 136 | - | **136** | 264 |
| Short-term bank facilities and current accounts in credit | - | 72 | **72** | 73 |
| Financial derivatives | 5 | 25 | **30** | 45 |
| Miscellaneous debt | 69 | 1 | **70** | 62 |
| **TOTAL borrowings** | **4,663** | **300** | **4,963** | **5,105** |
| *Of which financial leases* | - | - | - | - |

At June 30, 2018, borrowings includes:

- outstanding bonds with a carrying amount of 4,103 million euros and accrued interest not due in the amount of 78 million euros;
- an amortizable syndicated loan from 10 banks maturing in 2024 in the amount of 461 million euros (initial amount of 650 million euros);
- a financial current account credit balance for the ETC joint venture in the amount of 48 million euros.

**CHANGE IN BORROWINGS**

| *(in millions of euros)* | |
|---|---|
| **Value at December 31, 2017** | **5,105** |
| Cash flows | (172) |
| **Non-cash flows:** | |
| accrued interest not yet due on borrowings | 65 |
| Currency translation adjustments | (12) |
| Other changes | (24) |
| **Value at June 30, 2018** | **4,963** |

**Reconciliation of cash flows of borrowings between the note on Borrowings and flows from financing activities:**

| *(in millions of euros)* | |
|---|---|
| **Cash flows of borrowings** | **(172)** |
| Interest paid | 82 |
| Financial instruments – Assets | 1 |
| Short-term bank facilities and current accounts in credit | 2 |
| **Cash flows of borrowings included in net cash flows from financing activities** | **(86)** |

**BOND DEBT**

| Issue date | **Net carrying amount** *(in millions of euros)* | Currency | Nominal *(in millions of currency units)* | Nominal rate | Term / Expiration |
|---|---|---|---|---|---|
| Sept. 23, 09 | 1,024 | EUR | 1,000 | 4.875% | September 2024 |
| Nov. 06, 09 | 759 | EUR | 750 | 4.375% | November 2019 |
| Sept. 22, 10 | 761 | EUR | 750 | 3.50% | March 2021 |
| Apr. 04, 12 | 199 | EUR | 200 | TEC10+2.125% | March 2022 |
| Sept. 04, 13 | 518 | EUR | 500 | 3.25% | September 2020 |
| Sept. 20, 13 | 62 | JPY | 8,000 | 1.156% | September 2018 |
| Mar. 20, 14 | 779 | EUR | 750 | 3.125% | March 2023 |
| **Total** | **4,103** | | | | |

**BANKING COVENANTS**

The redeemable syndicated loan, carried in the amount of 461 million euros at June 30, 2018 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). At June 30, 2018, the contractual provisions of the covenant were met.

## NOTE 16 - ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

### FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

In view of the first-time application of IFRS 9 from January 1, 2018, the presentation of the balance sheet for the six months to June 30, 2018 differs from that for the period ended December 31, 2017, in application of the provisions of Stage I of IFRS 9 (see Note 2).

**June 30, 2018**

***Assets***

| **Including** | | | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | **Net carrying amount** | **Non-financial assets** | **Assets at amortized cost** | **Assets at fair value through profit or loss** | **Assets at fair value through OCI** | **Fair value of financial assets** |
| **Non-current assets** | **7,212** | **29** | **1,139** | **6,044** | **-** | **7,306** |
| Financial assets earmarked for end-of-lifecycle operations | 7,062 | - | 1,098 | 5,964 | - | 7,185 |
| Other non-current assets | 150 | 29 | 41 | 80 | - | 121 |
| **Current assets** | **3,977** | **679** | **2,243** | **1,055** | **-** | **3,297** |
| Trade accounts receivable and related accounts | 795 | 109 | 687 | - | - | 687 |
| Other operating receivables | 785 | 525 | 222 | 38 | - | 260 |
| Other non-operating receivables | 51 | 46 | 5 | - | - | 5 |
| Cash and cash equivalents | 1,922 | - | 1,255 | 667 | - | 1,922 |
| Other current financial assets | 423 | - | 73 | 350 | - | 423 |
| **Total assets** | **11,189** | **709** | **3,382** | **7,098** | **-** | **10,603** |

Breakdown of assets measured at fair value by valuation technique:

| *(in millions of euros)* | **Level 1** Listed prices, unadjusted | **Level 2** Observable data | **Level 3** Non-observable data | **TOTAL** |
|---|---|---|---|---|
| **Non-current assets** | **6,188** | **311** | **6** | **6,505** |
| Financial assets earmarked for end-of-lifecycle operations | 6,188 | 237 | - | 6,425 |
| Other non-current financial assets | - | 73 | 6 | 80 |
| **Current assets** | **1,015** | **40** | **-** | **1,055** |

| | | | | |
|---|---|---|---|---|
| Other operating receivables | - | 38 | - | 38 |
| Cash and cash equivalents | 667 | - | - | 667 |
| Other current financial assets | 348 | 1 | - | 350 |
| **Total assets** | **7,203** | **350** | **6** | **7,559** |

***Liabilities and equity***

| **Including** | | | | | |
|---|---|---|---|---|---|
| *(in millions of euros)* | **Net carrying amount** | **Non-financial liabilities** | **Liabilities at amortized cost** | **Liabilities at fair value through profit or loss (*)** | **Fair value of financial liabilities** |
| **Non-current liabilities** | **4,663** | **-** | **4,658** | **5** | **4,710** |
| Long-term borrowings | 4,663 | - | 4,658 | 5 | 4,710 |
| **Current liabilities** | **2,772** | **994** | **1,713** | **64** | **1,778** |
| Short-term borrowings | 300 | - | 275 | 25 | **300** |
| Trade accounts payable and related accounts | 643 | - | 643 | - | 643 |
| Other operating liabilities | 1,817 | 993 | 785 | 39 | 824 |
| Other non-operating liabilities | 11 | 1 | 10 | - | 10 |
| **Total liabilities** | **7,434** | **994** | **6,371** | **70** | **6,487** |

(*) Level 2

**December 31, 2017**

***Assets***

| **Including** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | **Net carrying amount** | **Non-financial assets** | **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** | **3,654** | **592** | **1,704** | **1,210** | | | **148** | **3,062** |
| Trade accounts receivable and related accounts | 789 | 90 | 698 | | | | | 698 |
| 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** | **10,879** | **621** | **2,591** | **1,210** | **5,765** | **492** | **200** | **10,394** |

Breakdown of assets measured at fair value by valuation technique:

| | **Level 1** Listed prices, unadjusted | **Level 2** Observable data | **Level 3** Non-observable data | **TOTAL** |
|---|---|---|---|---|
| **Non-current assets** | **6,133** | **306** | **6** | **6,445** |
| 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** | **7,803** |

***Liabilities and equity***

| *(in millions of euros)* | **Net carrying amount** | **Including** Non-financial liabilities | **Liabilities at amortized cost** | **Fair value recognized in profit or loss** | **Derivatives (*)** | **Fair value of financial liabilities** |
|---|---|---|---|---|---|---|
| **Non-current liabilities** | **4,676** | | **4,671** | | **5** | **4,852** |
| Long-term borrowings | 4,676 | | 4,671 | | 5 | 4,852 |
| **Current liabilities** | **2,760** | **895** | **1,816** | | **49** | **1,865** |
| Short-term borrowings | 429 | | 389 | | 40 | **429** |
| Trade accounts payable and related accounts | 564 | | 564 | | | 564 |
| Other operating liabilities | 1,701 | 894 | 798 | | 9 | 807 |
| Other non-operating liabilities | 66 | 1 | 65 | | | 65 |
| **Total liabilities** | **7,436** | **895** | **6,487** | | **54** | **6,717** |

(*) Level 2

## NOTE 17 - TRANSACTIONS WITH RELATED PARTIES

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

The nature of related party transactions has not changed significantly since December 31, 2017. In particular, the group continues to maintain significant relationships with companies controlled by the French State, and in particular:

- transactions with the CEA pertain to the dismantling work on the CEA's nuclear facilities and design engineering services. In addition, the receivable related to the group's end-of-life operations is included in trade and other receivables (see Note 8);
- in 2017, AREVA SA invoiced a brand fee, rents and associated services to the companies included in the scope of consolidation. This billing has no reason to continue in 2018;
  Other transactions with the AREVA group concerned the invoicing of MOX fuel services resulting from Front End activities. At December 31, 2017, Framatome was sold by AREVA to EDF. These transactions will henceforth be declared with EDF from January 1, 2018;
- 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.

In addition, Orano is buying the centrifuges for its new Georges Besse II enrichment plant from ETC; ETC also maintains this plant.

## NOTE 18 - COMMITMENTS GIVEN AND RECEIVED

| *(in millions of euros)* | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **COMMITMENTS GIVEN** | **402** | **343** |
| Operating commitments given | 310 | 293 |
| • *Contract guarantees given* | *293* | *267* |
| • *Other guarantees related to operating activities* | *17* | *26* |
| Commitments given on financing | 74 | 31 |
| Other commitments given | 18 | 18 |
| **COMMITMENTS RECEIVED** | **116** | **119** |
| Operating commitments received | 115 | 119 |
| Commitments received on collateral | - | - |
| Other commitments received | 1 | - |
| **RECIPROCAL COMMITMENTS** | **438** | **407** |

## NOTE 19 - 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 that go beyond the ordinary course of business, the most significant of which 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. The Court of Appeal has not handed down its decision yet.

### URAMIN CASE

In June 2018, Orano SA and Orano Mining became civil parties in the "acquisition" part of the judicial investigation opened in the Uramin case. AREVA SA, the former holding company of the AREVA group, filed a civil suit as part of this investigation following the receipt of a "notice to victim" from the investigating magistrate in charge of the case in 2015. The Orano group intends to defend its interests by allowing Orano SA and Orano Mining to be party to the suit. The judicial investigation is still in progress, and no date for a prospective decision has been set to date.

### 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.

Moreover, as the group includes a large number of entities located in different countries, it regularly faces audits by the tax authorities. Several audits and other procedures or litigation in tax matters have been initiated or are currently underway before these authorities or before the courts, but none is expected to give rise to or has given rise to significant tax expenses liable to have a material impact on the financial statements. The group considers its defense to be strong, and is taking the legal action available to it to prevent any adverse outcome.

### NOTE 20 - BACKLOG

At June 30, 2018, Orano's backlog amounted to 33.2 billion euros.

### NOTE 21 - SUBSEQUENT EVENTS

On July 11, 2018, Orano has set up its first syndicated line of credit for 780 million euros (cf. note 1).

**NOTE 22 - TRANSITION FROM 2017 FINANCIAL STATEMENTS AS REPORTED TO THE RESTATED 2017 FINANCIAL STATEMENTS**

This note summarizes the main impacts of the first-time application of IFRS 15 at the beginning of the comparative half year and IFRS 9 at January 1, 2018.

**RESTATEMENT OF EQUITY**

| *(in millions of euros)* | Capital | Consolidated premiums and reserves | Actuarial gains and 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** |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2016 as reported (*)** | **53** | **(1,120)** | **(157)** | **136** | **113** | **(976)** | **(40)** | **(1,016)** |
| IFRS 15 adjustment | | (130) | | | (0) | (130) | | (130) |
| Related deferred tax assets | | 0 | | | | 0 | | 0 |
| **January1, 2017 restated** | **53** | **(1,250)** | **(157)** | **136** | **112** | **(1,107)** | **(40)** | **(1,147)** |

(*) Consolidated shareholders' equity reported in Orano's consolidated financial statements for the year ended December 31, 2017

| *(in millions of euros)* | Capital | Consolidated premiums and reserves | Actuarial gains and 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** |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2017 as reported** | **119** | **963** | **(164)** | **305** | **(79)** | **1,144** | **(192)** | **952** |
| IFRS 15 adjustment | | (113) | | | | (113) | | (113) |
| Related deferred tax assets | | 0 | | | | 0 | | 0 |
| **December 31, 2017 restated** | **119** | **850** | **(164)** | **305** | **(79)** | **1,031** | **(192)** | **838** |
| IFRS 9 adjustment | | 230 | | (215) | | 15 | | 15 |
| Related deferred tax assets | | - | | - | | - | | - |
| **January 1, 2018 restated** | **119** | **1,079** | **(164)** | **90** | **(79)** | **1,045** | **(192)** | **853** |

## TRANSITION FROM STATEMENT OF INCOME AS REPORTED TO RESTATED STATEMENT OF INCOME

| *(in millions of euros)* | **1st half 2017 Reported** | *IFRS 15 adjustment* | **1st half 2017 Restated** |
|---|---|---|---|
| **REVENUE** | **1,846** | ***(52)*** | **1,794** |
| Cost of sales | (1,504) | *63* | (1,441) |
| **GROSS MARGIN** | **342** | ***11*** | **353** |
| Research and development expenses | (41) | | (41) |
| Marketing and sales expenses | (26) | | (26) |
| General expenses | (61) | | (61) |
| Other operating expenses | (276) | | (276) |
| Other operating income | 30 | | 30 |
| **OPERATING INCOME** | **(32)** | ***11*** | **(21)** |
| Share in net income of joint ventures and associates | 9 | | 9 |
| **Operating income after share in net income of joint ventures and associates** | **(22)** | ***11*** | **(11)** |
| Income from cash and cash equivalents | 7 | | 7 |
| Gross borrowing costs | (113) | | (113) |
| **Net borrowing costs** | **(106)** | | **(106)** |
| Other financial expenses | (249) | *4* | (245) |
| Other financial income | 230 | | 230 |
| **Other financial income and expenses** | **(19)** | ***4*** | **(15)** |
| **NET FINANCIAL INCOME** | **(125)** | ***4*** | **(121)** |
| **Income tax** | **(57)** | | **(57)** |
| **NET INCOME FROM CONTINUING OPERATIONS** | **(205)** | ***15*** | **(190)** |
| Net income from operations sold or held for sale | (2) | | (2) |
| **NET INCOME FOR THE PERIOD** | **(207)** | ***15*** | **(192)** |
| **NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT** | **(169)** | **15** | **(154)** |
| **NET INCOME ATTRIBUTABLE TO MINORITY INTERESTS** | **(38)** | | **(38)** |

In accordance with IFRS 15, the comparative EBITDA of 516 million euros in the financial statements for the six months to June 30, 2017 has been adjusted to 476 million euros.

## TRANSITION FROM STATEMENT OF COMPREHENSIVE INCOME AS REPORTED TO RESTATED STATEMENT OF COMPREHENSIVE INCOME

| *(in millions of euros)* | **1st half 2017 Reported** | *IFRS 15 adjustment* | **1st half 2017 Restated** |
|---|---|---|---|
| **Net income** | **(207)** | ***15*** | **(192)** |
| **Items not recyclable to the statement of income** | **43** | | **43** |
| Actuarial gains and losses on the employee benefits of consolidated companies | 42 | | 42 |
| Income tax related to non-recyclable items | 0 | | 0 |
| Share in non-recyclable items from joint ventures and associates, net of tax | (0) | | (0) |
| Non-recyclable items related to discontinued operations, net of tax | 0 | | 0 |
| **Items recyclable to the statement of income** | **81** | | **81** |
| Currency translation adjustments of consolidated companies | (132) | | (132) |
| Change in value of available-for-sale financial assets | 37 | | 37 |
| Change in value of cash flow hedges | 190 | | 190 |
| Income tax related to recyclable items | (14) | | (14) |
| Share in recyclable items from joint ventures and associates, net of tax | - | | - |
| Recyclable items related to discontinued operations, net of tax | - | | - |
| **Total other items of comprehensive income (net of income tax)** | **123** | | **123** |
| **COMPREHENSIVE INCOME** | **(83)** | ***15*** | **(68)** |
| - Attributable to owners of the parent | (39) | 15 | (24) |
| - Attributable to minority interests | (45) | | (45) |

## TRANSITION FROM BALANCE SHEET AS REPORTED TO RESTATED BALANCE SHEET

### ASSETS

| (in millions of euros) | **December 31, 2017 Reported** | IFRS 15 adjustment | **December 31, 2017 Restated** |
|---|---|---|---|
| **Non-current assets** | **17,118** | ***856*** | **17,973** |
| Goodwill on consolidated companies | 1,193 | | 1,193 |
| Intangible assets | 1,339 | | 1,339 |
| Property, plant and equipment | 7,097 | *855* | 7,952 |
| End-of-lifecycle assets (third party share) | 153 | | 153 |
| Financial assets earmarked for end-of-lifecycle operations | 7,112 | | 7,112 |
| Investments in joint ventures and associates | 10 | | 10 |
| Other non-current assets | 114 | | 114 |
| Deferred tax assets | 101 | | 101 |
| **Current assets** | **5,095** | ***(85)*** | **5,010** |
| Inventories and work-in-process | 1,316 | *(58)* | 1,258 |
| Trade accounts receivable and related accounts | 816 | *(27)* | 789 |
| Other operating receivables | 791 | | 791 |
| Other non-operating receivables | 57 | | 57 |
| Current tax assets | 98 | | 98 |
| Other current financial assets | 67 | | 67 |
| Cash and cash equivalents | 1,950 | | 1,950 |
| **Total assets** | **22,212** | ***771*** | **22,983** |

### LIABILITIES AND EQUITY

| (in millions of euros) | **December 31, 2017 Reported** | IFRS 15 adjustment | **December 31, 2017 Restated** |
|---|---|---|---|
| **EQUITY AND MINORITY INTERESTS** | **952** | ***(113)*** | **838** |
| **NON-CURRENT LIABILITIES** | **13,963** | | **13,963** |
| Employee benefits | 1,382 | | 1,382 |
| Provisions for end-of-lifecycle operations | 7,545 | | 7,545 |
| Other non-current provisions | 270 | | 270 |
| Share in negative net equity of joint ventures and associates | 57 | | 57 |
| Long-term borrowings | 4,676 | | 4,676 |
| Deferred tax liabilities | 33 | | 33 |
| **CURRENT LIABILITIES** | **7,298** | ***884*** | **8,182** |
| Current provisions | 1,730 | *(14)* | 1,716 |
| Short-term borrowings | 429 | | 429 |
| Advances and prepayments | 2,865 | *814* | 3,679 |
| Trade accounts payable and related accounts | 569 | *(5)* | 564 |
| Other operating liabilities | 1,612 | *89* | 1,701 |
| Other non-operating liabilities | 66 | | 66 |
| Current tax liabilities | 27 | | 27 |
| **LIABILITIES AND EQUITY** | **22,212** | ***771*** | **22,983** |

## TRANSITION FROM STATEMENT OF CASH FLOWS AS REPORTED TO RESTATED CF STATEMENT

| *(in millions of euros)* | **1st half 2017 Reported** | *IFRS 15 adjustment* | **1st half 2017 Restated** |
|---|---|---|---|
| **Net income for the period** | **(207)** | ***15*** | **(192)** |
| Less: result of discontinued operations | 2 | | 2 |
| **Net income from continuing operations** | **(205)** | ***15*** | **(190)** |
| (Profit)/loss of joint ventures and associates | (9) | | (9) |
| Net amortization, depreciation and impairment of PP&E and intangible assets and marketable securities maturing in more than 3 months | 535 | *(21)* | 514 |
| Increase in provisions | (112) | *(2)* | (114) |
| Net effect of unwinding of assets and provisions | 173 | | 173 |
| Income tax expense (current and deferred) | 57 | | 57 |
| Net interest included in borrowing costs | 109 | | 109 |
| Loss (gain) on disposals of fixed assets and marketable securities maturing in more than 3 months; change in fair value | (88) | | (88) |
| Other non-cash items | 3 | | 3 |
| **Cash flow from operations before interest and taxes** | **463** | ***(8)*** | **456** |
| Net interest received (paid) | (71) | | (71) |
| Income tax paid | (227) | | (227) |
| **Cash flow from operations after interest and tax** | **166** | ***(8)*** | **158** |
| Change in working capital requirement | (208) | *6* | (202) |
| **NET CASH FROM OPERATING ACTIVITIES** | **(42)** | ***(2)*** | **(44)** |
| Investment in PP&E and intangible assets | (199) | *2* | (197) |
| Loans granted and acquisitions of financial assets | (756) | | (756) |
| Acquisitions of shares of consolidated companies, net of acquired cash | (59) | | (59) |
| Disposals of PP&E and intangible assets | 3 | | 3 |
| Loan repayments and disposals of financial assets | 719 | | 719 |
| Disposals of shares of consolidated companies, net of disposed cash | 4 | | 4 |
| **NET CASH FLOW FROM INVESTING ACTIVITIES** | **(289)** | ***2*** | **(287)** |
| Share issues in the parent company and share issues subscribed by minority shareholders in consolidated subsidiaries | 0 | | 0 |
| Transactions with minority interests | (95) | | (95) |
| Dividends paid to minority shareholders of consolidated companies | (17) | | (17) |
| Increase in borrowings | (18) | | (18) |
| Decrease in borrowings | 0 | | 0 |
| Change in other borrowings | (5) | | (5) |
| **NET CASH FLOW FROM FINANCING ACTIVITIES** | **(135)** | ***0*** | **(135)** |
| Impact of foreign exchange movements | (10) | | (10) |
| Net cash from operations sold | 2 | | 2 |
| **CHANGE IN NET CASH** | **(474)** | | **(474)** |
| **Net cash at the beginning of the period** | **1,382** | | **1,382** |
| **Net cash at the end of the period** | **908** | | **908** |